

Before the
UNITED STATES COPYRIGHT ROYALTY BOARD
Library of Congress
Washington, D.C.

-----:
In Re: : Docket No.
: 15-CRB-0001-WR
Determination of Royalty : (2016-2020)
Rates and Terms for : Volume 14-PUBLIC
Ephemeral Recording and : Pages 3668-3685
Digital Performance of : Pages 3708-3711
Sound Recordings (Web IV) : Pages 3717-3902
-----: Pages 3917-3965

PUBLIC SESSION

Washington, D.C.
Thursday, May 14, 2015

The hearing in the above-entitled matter was
convened at 9:06 a.m.

BEFORE COPYRIGHT ROYALTY JUDGES:

SUZANNE M. BARNETT, CHIEF JUDGE

DAVID R. STRICKLER, JUDGE

JESSE FEDER, JUDGE

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3669	3671
<p>1 APPEARANCES</p> <p>2 On behalf of SoundExchange:</p> <p>3 MUNGER TOLLES & OLSON, LLP</p> <p>4 GLENN POMERANTZ, ESQUIRE</p> <p>5 355 South Grand Avenue, 3rd Floor</p> <p>6 Los Angeles, California 90071</p> <p>7 213-683-9107</p> <p>8</p> <p>9 On behalf of Pandora Media, Inc.</p> <p>10 WEIL GOTSHAL & MANGES, LLP</p> <p>11 BRUCE RICH, ESQUIRE</p> <p>12 767 Fifth Avenue</p> <p>13 New York, New York 10151</p> <p>14 212-310-8000</p> <p>15 -and-</p> <p>16 JACOB EBIN, ESQUIRE</p> <p>17 AKIN GUMP STRAUSS HAUSER & FELD, LLP</p> <p>18 One Bryant Park</p> <p>19 Bank of America Tower</p> <p>20 New York, New York 10036</p> <p>21 212-872-1000</p> <p>22</p> <p>23 On behalf of National Association of Broadcasters:</p> <p>24 WILEY REIN, LLP</p> <p>25 BRUCE G. JOSEPH, ESQUIRE</p> <p>26 KARYN ABLIN, ESQUIRE</p> <p>27 MICHAEL STRUM, ESQUIRE</p> <p>28 1776 K Street, N.W.</p> <p>29 Washington, D.C. 20006</p> <p>30 202-719-7453</p> <p>31 On behalf of iHeartMedia, Inc.</p> <p>32 KELLOGG, HUBER, HANSEN, TODD,</p> <p>33 EVANS & FIGEL, PLLC</p> <p>34 JOHN THORNE, ESQUIRE</p> <p>35 SCOTT ANGSTREICH, ESQUIRE</p> <p>36 TRES WILLIAMS, ESQUIRE</p> <p>37 1615 M Street, N.W.</p> <p>38 Suite 400</p> <p>39 Washington, D.C. 20036</p> <p>40 202-326-7992</p> <p>41</p> <p>42 On behalf of SiriusXM Radio:</p> <p>43 ARENT FOX, LLP</p> <p>44 JACKSON D. TOOF, ESQUIRE</p> <p>45 1717 K Street, N.W.</p> <p>46 Washington, D.C. 20006</p> <p>47 202-857-6000</p>	<p>1 CONTENTS</p> <p>2 EXAMINATION OF DIR CROSS RED REC</p> <p>3 JON PEDERSEN</p> <p>4 BY MR. ANGSTREICH 3673 3709</p> <p>5 BY MR. CHOUDHURY 3686</p> <p>6</p> <p>7 EXAMINATION OF</p> <p>8 LAWRENCE T. ROSIN</p> <p>9</p> <p>10 BY MR. MARKS 3717 3798</p> <p>11 BY MR. KLAUS 3747</p> <p>12</p> <p>13 EXAMINATION OF</p> <p>14 DOMINQUE M. HANSSSENS, Ph.D.</p> <p>15 BY MS. ABLIN 3806 3868</p> <p>16 BY MS. LEMOINE 3836</p> <p>17</p> <p>18 EXAMINATION OF</p> <p>19 STEVEN PETERSON</p> <p>20 BY MR. JOSEPH 3872</p> <p>21 BY MR. POMERANTZ 3893</p> <p>22</p> <p>23 EXAMINATION OF</p> <p>24 ROMAN WEIL, Ph.D.</p> <p>25 BY MR. MILLS 3917</p> <p>26 BY MR. OLASA 3939</p> <p>27</p> <p>28</p> <p>29</p> <p>30</p> <p>31</p> <p>32</p> <p>33</p> <p>34</p> <p>35</p>
3670	3672
<p>1 APPEARANCES (CONTINUED):</p> <p>2</p> <p>3 On behalf of National Religious Broadcasters</p> <p>4 Noncommercial Music License Committee:</p> <p>5 WILEY REIN, LLP</p> <p>6 KARYN ABLIN, ESQUIRE</p> <p>7 JENNIFER ELGIN, ESQUIRE</p> <p>8 1776 K Street, N.W.</p> <p>9 Washington, D.C. 20006</p> <p>10 202-719-7008</p> <p>11 On behalf of Educational Media Foundation:</p> <p>12 DAVID D. OXENFORD, ESQUIRE</p> <p>13 WILKINSON BARKER KNAUER, LLP</p> <p>14 2300 N Street, N.W.</p> <p>15 Suite 700</p> <p>16 Washington, D.C. 20037</p> <p>17 202-783-4141</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26 ALSO PRESENT:</p> <p>27 For SoundExchange:</p> <p>28 Kelly Klaus, Melinda LeMoine, Martha</p> <p>29 Larraondo-Klipper, Anjan Choudhury, Colin Rushing,</p> <p>30 Kuruvilla Olasa</p> <p>31 For SiriusXM:</p> <p>32 Cynthia Greer</p> <p>33</p> <p>34 For Pandora:</p> <p>35 Todd Larson, Benjamin Marks</p> <p>36</p> <p>37 Bonnie L. Russo, Capital Reporting Company</p> <p>38</p> <p>39</p> <p>40</p>	<p>1 EXHIBITS ADMITTED IN EVIDENCE</p> <p>2</p> <p>3 Pandora</p> <p>4 Exhibit 5021 Pedersen Rebuttal Testimony 3722</p> <p>5</p> <p>6 SoundExchange</p> <p>7 Exhibit 2257 iHeartMedia Royalty Statement 3778</p> <p>8 Exhibit 2284 Survey Results 3751</p> <p>9 (Without Prejudice)</p> <p>10 Exhibit 2285 Survey Results 3751</p> <p>11 (Without Prejudice)</p> <p>12 Exhibit 1735 2011 Survey 3777</p> <p>13 Exhibit 2267 Infinite Dial Survey 3778</p> <p>14</p> <p>15 iHeartMedia</p> <p>16 Exhibit 3220 Pedersen Testimony 3679</p> <p>17 Exhibit 3221 Comparisons of SoundExchange 3682</p> <p>18 Revenue Definitions</p> <p>19</p> <p>20</p> <p>21 NAB</p> <p>22 Exhibit 4012 Hanssens Testimony 3811</p> <p>23 Exhibit 4013 Hanssens Rebuttal Testimony 3875</p> <p>24 Exhibit 4011 Hanssens Written Testimony 3922</p> <p>25</p> <p>26</p> <p>27</p> <p>28</p> <p>29</p> <p>30</p> <p>31</p> <p>32</p> <p>33</p> <p>34</p> <p>35</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3673	3675
<p>1 PROCEEDINGS 2 3 (PUBLIC SESSION) 4 5 CHIEF JUDGE BARNETT: Good morning. 6 Please be seated. 7 JUDGE STRICKLER: We have more books. 8 Show up and there they are. 9 JON PEDERSEN, 10 being first duly sworn, to tell the truth, the whole 11 truth and nothing but the truth, testified as 12 follows: 13 MR. ANGSTREICH: Thank you, Your Honor. 14 Good morning. 15 CHIEF JUDGE BARNETT: Good morning. 16 DIRECT EXAMINATION BY COUNSEL FOR 17 IHEARTMEDIA 18 BY MR. ANGSTREICH: 19 Q. Mr. Pedersen, because there are two Pedersens, 20 if you could just spell your name for the record. 21 A. Sure, Jon, J-O-N, middle initial D, last name 22 Pedersen, P-E-D as in David, E-R-S-E-N. 23 Q. Thank you. Mr. Pederson, where do you work? 24 A. IHeartMedia. 25 Q. What is your current position there? 26 A. I'm CFO of markets, sales and shared services. 27 slight change from the testimony. I was recently</p>	<p>1 could you briefly describe what your responsibilities 2 were there? 3 A. Sure. I handled all the SEC filings for 4 accounting, technical accounting, financial planning 5 analysis groups, budget forecasting, all of the -- 6 again, all of the core findings and accounting 7 functions for the entire company rolled up into my 8 group. 9 Q. And what, if any, interactions with 10 SoundExchange did you have in that role? 11 A. Sure. As the -- as SoundExchange was growing 12 and was starting to become a meaningful revenue 13 stream for the record labels, I spent -- I took 14 numerous trips down to visit with SoundExchange, with 15 -- meet with their folks about trying to understand 16 the revenue streams that were coming to Warner Music 17 from SoundExchange and trying to figure out how to 18 accelerate payments. 19 It was a nascent process back in the day and we 20 were really trying to help them figure out how to get 21 money out of some of these things quicker. 22 MR. CHOUDHURY: Your Honor, I believe this 23 testimony is beyond the scope of direct testimony. 24 There's nothing about Mr. Pedersen's meetings with 25 SoundExchange in his direct testimony.</p>
3674	3676
<p>1 promoted a couple of months ago. 2 Q. Congratulations. Briefly, what are your 3 responsibilities in your role? 4 A. Sure. I manage finance accounting and 5 infrastructure for the radio markets, as well as the 6 national sales team, all the accounting finance 7 credit collections, groups down in San Antonio, and I 8 also oversee the finance area for iHeartRadio. 9 Q. Does that responsibility include making 10 payments under the statutory license and direct 11 licenses? 12 A. It does. The finance team, as well as some of 13 the teams at iHeartRadio are responsible for royalty 14 statements related to these agreements and that's 15 under my supervision. 16 Q. How long have you been at iHeartMedia? 17 A. Since March 2014. 18 Q. Before you came to iHeartMedia, did you work in 19 the music industry? 20 A. Yes. In 2005, I joined Warner Music Group as 21 assistant controller. I was assistant controller at 22 Warner Music for three years and then I was promoted 23 to controller in September 2008, and I was at Warner 24 Music through September 2011 as controller. 25 Q. And as assistant controller and controller,</p>	<p>1 MR. ANGSTREICH: Your Honor, in Paragraph 2 7 of his direct testimony, Mr. Pedersen specifically 3 describes that SoundExchange began as a smaller 4 business within -- and talked about how it grew with 5 regard to accounting. SoundExchange has objected to 6 the introduction of this paragraph for lack of 7 foundation. I'm laying the foundation for the 8 paragraph so that when the objection comes up, you 9 will be able to rule on it. 10 CHIEF JUDGE BARNETT: Overruled. 11 BY MR. ANGSTREICH: 12 Q. Mr. Pedersen, in addition, did you have any 13 interactions with Warner's direct licensed service 14 partners? 15 A. Sure. I mean, the -- as part of the label's 16 business, we were involved in licensing our content 17 to virtually every service in the planet, from 18 Spotify to defunct services like Imeem and Wawa and 19 just every -- Rhapsody, everything that was out 20 there, and as you know, being at Warner from 2005 on, 21 as digital businesses were growing, we had to build 22 an infrastructure as to how to ingest all of the data 23 that was coming along so we could pay royalties on 24 all of the songs and the plays that came through from 25 all the different services.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3677	3679
<p>1 Q. And you said you left Warner in 2011. Why did 2 you leave? 3 A. Yeah, the company was sold to -- it was a 4 private equity ownership and we sold the company, and 5 the sale closed in July 2011, and most of the senior 6 financial leadership left as part of the turnover, as 7 part of the acquisition. 8 Q. And what involvement, if any, did you have in 9 the sale of Warner Music Group? 10 A. I was very involved with the bankers. Goldman 11 was our banker, and I was principally involved in 12 putting together the deal model and the five-year 13 projections which included everything from revenue 14 projections to margin projections versus all the 15 different revenue streams, physical, CD, digital 16 licensing as well as other businesses that we were 17 getting into at the time, too, so basically, soup to 18 nuts, the financial modeling process and due 19 diligence. 20 MR. CHOUDHURY: Your Honor, this is 21 clearly beyond the scope of his testimony. There is 22 nothing about his work in the financial modeling for 23 Warner in his testimony. 24 MR. ANGSTREICH: Again, Your Honor -- 25 CHIEF JUDGE BARNETT: This is just his</p>	<p>1 outline was in the originally-filed public version, 2 so I'm going to blame Microsoft. 3 CHIEF JUDGE BARNETT: Might as well. 4 MR. ANGSTREICH: Your Honors, I move to 5 admit Tab 1 which is iHeart Exhibit 3220 into 6 evidence. 7 MR. CHOUDHURY: No objection. 8 CHIEF JUDGE BARNETT: 3220 is admitted. 9 (iHeartMedia Exhibit No. 3220 was admitted 10 into evidence.) 11 BY MR. ANGSTREICH: 12 Q. Mr. Pedersen, you've reviewed the SoundExchange 13 terms and conditions proposal? 14 A. Yes, I have. 15 Q. Can you turn to Tab 2 in your binder. 16 What is this document, Mr. Pedersen? 17 A. This is the proposed rates and terms of the -- 18 that SoundExchange is proposing for the industry. 19 Q. Is this the specific one you had reviewed in 20 connection with your testimony? 21 A. No. This is -- it's slightly altered. This is 22 an amended version, but my understanding in reading 23 through it, it is substantially the same as what I 24 had reviewed previously. 25 MR. ANGSTREICH: We've marked this as</p>
3678	3680
<p>1 professional background. I think it's allowable. 2 Overruled. 3 MR. ANGSTREICH: Thank you, Your Honor. 4 BY MR. ANGSTREICH: 5 Q. Mr. Pedersen, speaking of your testimony, if 6 you could turn to Tab 1 in your binder. 7 Do you recognize this document? 8 A. Yes. This is the testimony I submitted 9 earlier. 10 Q. If you could turn to the last page, is that 11 your signature? 12 A. Yes, that is my signature. 13 Q. And now, Mr. Pedersen, have there been any 14 corrections to your testimony since it was initially 15 filed? 16 A. There is. On the top of Page 5, the top line 17 was mistakenly omitted from the original testimony. 18 This is the corrected testimony. 19 My understanding is it was provided this week 20 to everybody, so everybody should have the right one. 21 MR. ANGSTREICH: Your Honor, this is the 22 line at the top of Page 5 that starts with the 23 section symbol IM, in parentheses, comma, S, in 24 parentheses due to our printing glitch, it was 25 omitted from the restricted version although a black</p>	<p>1 iHeart Exhibit 3639 for identification purposes only. 2 BY MR. ANGSTREICH: 3 Q. Can you turn to Tab 3 in your binder, 4 Mr. Pedersen? 5 A. Sure. 6 Q. Mr. Pedersen, what is this document? 7 A. It's just some bullet points that I put 8 together that really summarized the key points of my 9 testimony. 10 Q. And I'm not going to take you through all of 11 these, but I would like to draw your attention to the 12 second subbullet: "Use of fair method of allocation 13 leads to arbitrary results and disputes." 14 Could you summarize briefly your testimony as 15 to that point? 16 A. Sure. SoundExchange's fair method of 17 allocation proposal allows for wide interpretation of 18 how to actually allocate revenue between sources. If 19 you -- there are no hard and fast rules governing how 20 that would happen in the economy literature, which 21 means if you took ten reasonable people and have them 22 try to do this, you'd come up with ten different 23 results which would lead to fairly arbitrary 24 differences. 25 It would also cause -- to be honest,</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

<p style="text-align: right;">3681</p> <p>1 SoundExchange has audit rights and, of course, we are 2 actually under a SoundExchange audit right now, and 3 it is easy to audit when you have facts, but if 4 there's lots of interpretation and gray area, I'm 5 trying to actually come up with a result that is 6 predictable, understandable across the industry and 7 how to be auditable to be -- to me, I think it is 8 just completely impractical. 9 Q. Can you give us a specific instance where those 10 kinds of problems might arise? 11 A. Sure. We have some radio stations that play 12 music 24 hours a day, seven days a week. We have 13 some radio stations that have -- that are all talk, 14 but then we also have -- there are some of our 15 contemporary hits radio stations have personalities 16 on. 17 For an example, in morning drive in LA, you 18 have Ryan Seacrest, one of our biggest, most popular 19 stations, one of our highest billing stations, but 20 with Ryan on the air, he talks a lot. We may play 21 one, two, three songs an hour, some songs, some days, 22 there might be five songs an hour, but it would be 23 impossible for me to try to determine, you know, if, 24 you know, the revenue that is generated during that 25 program, how much of it is generated because Ryan</p>	<p style="text-align: right;">3683</p> <p>1 MR. ANGSTREICH: Thank you, Your Honor. 2 BY MR. ANGSTREICH: 3 Q. Mr. Pedersen, if you could just turn back to 4 Tab 3? 5 A. Sure. 6 Q. So the second set of bullets, talking about the 7 payment schedule, could you briefly describe -- and I 8 think you can do this one without clearing the 9 courtroom, the next one not so much. 10 But could you briefly describe the four-stage 11 process that is referenced in the first bullet? 12 A. Sure. I mean, the first stage is actually -- 13 it's more technological, where we pull all of the 14 data from our servers, from Accumulo, all the logs, 15 and so we can actually try to determine how many 16 plays of any particular song that there are and get 17 all the data together. 18 The second stage is the one-year stage where we 19 do lots of review and quality assurance checks to try 20 to make sure that we actually have captured all of 21 the data, all the plays from all the different 22 stations. We -- the format flips all the time, so 23 it's a fairly complicated and involved process, and 24 in that state, we also sometimes find errors and when 25 we find errors, there are times when we actually have</p>
<p style="text-align: right;">3682</p> <p>1 Seacrest is on the air versus how much is dedicated 2 to -- towards the music that gets played on the 3 channel. 4 This goes back, you could devise a way to try 5 to determine that, but, you know, it would be very, 6 very subject to opinion and interpretation and 7 reasonable people could disagree on the methodology. 8 Q. And just to be clear, Mr. Seacrest's show is 9 simulcast on the Internet? 10 A. It is, yes. All of our stations are simulcast 11 on iHeartRadio. 12 Q. Could you turn to Tab 4, Mr. Pedersen? 13 A. Sure. 14 Q. What is this document? 15 A. This is a document that we put together to just 16 kind of compare the SoundExchange revenue definitions 17 versus our agreement with Warner Music Group and also 18 versus our independent agreements that we have direct 19 with some of the other smaller labels. 20 MR. ANGSTREICH: Your Honors, I'd move to 21 iHeart Exhibit 3221 into evidence. 22 MR. CHOUDHURY: No objection. 23 CHIEF JUDGE BARNETT: 3221 is admitted. 24 (iHeartMedia Exhibit No. 3221 was admitted 25 into evidence.)</p>	<p style="text-align: right;">3684</p> <p>1 to go back to Step 1 and rerun the data to try to 2 make sure that we have a complete data set in order 3 to try to calculate what we need to pay for royalty. 4 Step 3 is more the senior finance review, as 5 well as -- that is when it kind of comes up to my 6 level, where I meet monthly with the team to actually 7 go through the numbers and do high level quality 8 checks as well as making sure that what we are seeing 9 in the numbers actually make sense versus what we 10 understand is happening on the product. 11 And then fourth is once we are satisfied that 12 we can -- actually are okay to pay, then there is a 13 process we have to actually go through and actually 14 create the 50-odd-plus royalty statements and then 15 actually mechanically make payments to all of our 16 various partners. 17 Q. And how long does this process take? 18 A. Well, for our direct deals, with the 19 independents, we have always have a 45-day term, and 20 we're -- we hit that target for the most part all the 21 time. The Warner deal has a 30 day and we have 22 missed the 30 -- 23 Q. Just to caution you, if you speak in 24 generalities, I think we can keep the courtroom open. 25 A. Sure. Right. So the process overall takes,</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3685	3708
1 you know, somewhere between, you know, 28 and 45 2 days 3 depending on what happens in any particular month. 4 It is not an exact science. We continue to improve 5 and make changes to our product and infrastructure. 6 Sometimes it makes it better, sometimes it makes it 7 worse. We break things and we ultimately -- it is a 8 pretty complicated, labor intensive process, but 9 it's, generally, you know, between 30 and 45 days is 10 where we come out. 11 MR. ANGSTREICH: I have one more question 12 and I don't think I can do this in open court. 13 CHIEF JUDGE BARNETT: Anyone in the 14 hearing room who has not signed a nondisclosure 15 certificate, please wait outside for a few minutes. 16 (THIS ENDS PUBLIC SESSION) 17 (RESTRICTED SESSION BOUND 18 SEPARATELY) 19 20 21 22 23 24	1 (THIS BEGINS PUBLIC SESSION) 2 BY MR. CHOUDHURY: 3 Q. Mr. Pedersen, just a couple of additional 4 questions with respect to your testimony. 5 For SoundExchange, your payment obligations 6 require providing a report of use, a statement of 7 account and actually providing the payment, right? 8 A. Correct. 9 Q. In your testimony, when you are describing the 10 process and again, only at a general level, are you 11 talking about the process for all of iHeart's payment 12 reports to all of its partners, or just its payment 13 obligations to SoundExchange? 14 And here, it's Paragraph 28 and 29. 15 A. In 28 and 29, we are talking about everything. 16 Q. Okay. You haven't testified about how many 17 times iHeartMedia has been late in its payment 18 obligations to SoundExchange, correct? 19 A. No. 20 Q. And you haven't testified about whether your 21 current -- you haven't testified about how your 22 current process would be changed if there was a 23 30-day payment window, correct? 24 A. I have not. 25 MR. CHOUDHURY: That's all the questions.
3686	3709
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25	1 CHIEF JUDGE BARNETT: Mr. Angstreich? 2 MR. ANGSTREICH: I just have one question 3 on redirect. It will take three questions to get to 4 the one question. 5 REDIRECT EXAMINATION BY COUNSEL FOR 6 IHEARTMEDIA 7 BY MR. ANGSTREICH: 8 Q. Could you turn to Tab 5 in the big binder, 9 Mr. Pedersen? 10 A. Sure. 11 Q. Does this look to you to be the agreement 12 between iHeart and Warner? 13 A. It does appear to be, yes. 14 Q. Could you turn to Page 17 of that agreement, 15 and it's labeled as 18 of 112 on the bottom 16 right-hand corner. 17 A. Okay. 18 Q. And do you see a term -- roughly in the middle 19 of the page, that talks about late payments? 20 A. Yes. 21 Q. That is the late payment provision in the 22 Warner agreements? 23 A. Yes. 24 MR. CHOUDHURY: Your Honor, we object on 25 foundation. This witness has already said that he hasn't reviewed the contract.

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3710	3712
<p>1 MR. ANGSTREICH: Your Honor, Mr. Choudhury 2 made a representation -- 3 CHIEF JUDGE BARNETT: He hasn't testified 4 what? 5 MR. CHOUDHURY: He's testified that he is 6 not familiar with the contracts. He wasn't involved 7 in the negotiations, when we tried to use the 8 contracts with him, it was the objection that was 9 made. 10 CHIEF JUDGE BARNETT: Your response? 11 MR. ANGSTREICH: Mr. Choudhury made a 12 false representation to this panel regarding the 13 content of the late payment term in the Warner 14 agreement. I'm not going to say it out loud because 15 the agreement is confidential, but Your Honors can 16 see that what Mr. Choudhury said was the late payment 17 term in the Warner agreement is just false. That is 18 all I was trying to bring out. 19 CHIEF JUDGE BARNETT: Mr. Angstreich, the 20 panel is well aware that the comments of the 21 attorneys are not evidence. 22 MR. ANGSTREICH: Thank you, Your Honor. 23 JUDGE STRICKLER: I have one question for 24 the witness, but unfortunately, I think it is in 25 closed session.</p>	<p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>
3711	3717
<p>1 (THIS ENDS PUBLIC SESSION) 2 (RESTRICTED SESSION BOUND SEPARATELY) 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p>1 (THIS BEGINS PUBLIC SESSION) 2 LAWRENCE T. ROSIN, 3 being first duly sworn, to tell the truth, the whole 4 truth and nothing but the truth, testified as 5 follows: 6 MR. MARKS: Your Honor, we have some 7 demonstratives. We'll have them on the screen but we 8 also have printouts in case it is easier to look at 9 the printouts and move forward. 10 CHIEF JUDGE BARNETT: Thank you. I am 11 suddenly mourning America's forests. The local 12 public radio station is doing a pledge drive and for 13 every new member they are donating a tree in the 14 forest, so I think I will order all of you to become 15 members. 16 And we are in open session? 17 MR. MARKS: We are in open session and we 18 will remain in open session throughout his direct 19 testimony. 20 CHIEF JUDGE BARNETT: Thank you. 21 MR. MARKS: Can we pull up the slides? 22 Thank you. 23 DIRECT EXAMINATION BY COUNSEL FOR PANDORA 24 BY MR. MARKS: 25 Q. Mr. Rosin, could you please --</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3718	3720
<p>1 MR. MARKS: Ready to go ahead?</p> <p>2 CHIEF JUDGE BARNETT: Yes.</p> <p>3 BY MR. MARKS:</p> <p>4 Q. Mr. Rosin, could you please state your full</p> <p>5 name for the record?</p> <p>6 A. Lawrence Thomas Rosin.</p> <p>7 Q. And would you please identify for the judges</p> <p>8 any undergraduate and graduate degrees that you have?</p> <p>9 CHIEF JUDGE BARNETT: Before we do that,</p> <p>10 I'm sorry, spell your last name for the record</p> <p>11 please.</p> <p>12 THE WITNESS: It's spelled unusually,</p> <p>13 R-O-S-I-N.</p> <p>14 CHIEF JUDGE BARNETT: Thank you.</p> <p>15 BY MR. MARKS:</p> <p>16 Q. And would you please identify for the judges</p> <p>17 any undergraduate and graduate degrees that you have?</p> <p>18 A. I have an undergraduate degree from Princeton</p> <p>19 and I have an M.B.A. from the Wharton School at the</p> <p>20 University of Pennsylvania.</p> <p>21 Q. Mr. Rosin, where do you work?</p> <p>22 A. I work at Edison Research in Somerville, New</p> <p>23 Jersey.</p> <p>24 Q. What is your position at Edison Research?</p> <p>25 A. I am president and cofounder.</p>	<p>1 around the world, including what used to be called</p> <p>2 Clear Channel which is now called iHeart. The</p> <p>3 largest radio group in the U.K. called Global, the</p> <p>4 largest radio group in Australia which is called</p> <p>5 Southern Cross Austereo, and many others around</p> <p>6 Europe, South America and elsewhere throughout the</p> <p>7 world and of course here in North America.</p> <p>8 Q. I didn't mean to interrupt.</p> <p>9 A. We also work extensively in Internet audio. We</p> <p>10 have worked with companies like Pandora, Spotify,</p> <p>11 TuneIn Radio and many others, as well as we work more</p> <p>12 broadly in the world of digital media with companies</p> <p>13 like Google, Yahoo and others.</p> <p>14 Q. What is the Infinite Dial?</p> <p>15 A. The Infinite Dial is a series of research</p> <p>16 projects we have been doing annually since 1998. We</p> <p>17 field it in January of each year and it is a survey</p> <p>18 done to very high research standards. We have been</p> <p>19 tracking all the way back since the beginning of that</p> <p>20 study, the development of various items relating to</p> <p>21 digital audio, digital device adoption, streaming</p> <p>22 media of all kinds, social media and many other</p> <p>23 things, and it is a widely looked to and quoted study</p> <p>24 that we do.</p> <p>25 Q. What is the Share of Ear?</p>
3719	3721
<p>1 Q. And how long have you worked at Edison?</p> <p>2 A. Since its founding in 1994.</p> <p>3 Q. And on a general level, could you please tell</p> <p>4 the judges what Edison Research does?</p> <p>5 A. We are a survey research, market research</p> <p>6 polling firm.</p> <p>7 Q. Could you please describe your past work</p> <p>8 conducting surveys?</p> <p>9 A. We concentrate on two primary areas. We are</p> <p>10 probably best known as the company that does the exit</p> <p>11 polls for the U.S. television networks and the</p> <p>12 Associated Press on election day for the presidential</p> <p>13 election and the primary and midterm elections, and</p> <p>14 as well, we have a broad practice relating to media</p> <p>15 with specific specialization in music, radio, audio.</p> <p>16 Q. And who are some of the clients for whom you</p> <p>17 have done survey work?</p> <p>18 A. We have a broad list of clients. Of course,</p> <p>19 for the exit polls, it is the major U.S. television</p> <p>20 news networks and the Associated Press as well as</p> <p>21 subscribers to major newspapers around the country</p> <p>22 and around the world. We work with many record label</p> <p>23 music companies including many of the majors. We</p> <p>24 have a broad practice in radio working with many</p> <p>25 major and minor radio companies in the U.S.A., and</p>	<p>1 A. Share of Ear is a newer research initiative</p> <p>2 that we have been doing since last year. It is</p> <p>3 similar in some ways to Infinite Dial but it is</p> <p>4 instead, more of a measurement-oriented survey where</p> <p>5 we are trying to measure the entire sort of broad</p> <p>6 world of audio here in the United States, so that we</p> <p>7 can get a comparison of the usage and size of the</p> <p>8 different kinds of audio, for instance, broadcast</p> <p>9 radio versus Internet radio versus satellite radio,</p> <p>10 even if they owned music, podcast, music from music</p> <p>11 television channels and many other things so it's</p> <p>12 similar but a different initiative to --</p> <p>13 more-oriented towards measuring of time spent.</p> <p>14 Q. Do you speak at conferences around the world on</p> <p>15 the subject of Internet radio?</p> <p>16 A. Yes.</p> <p>17 MR. MARKS: I would like to offer Mr.</p> <p>18 Rosin as an expert in consumer survey research and</p> <p>19 market research.</p> <p>20 MR. KLAUS: No objection, Your Honor.</p> <p>21 CHIEF JUDGE BARNETT: Mr. Rosin is thus</p> <p>22 qualified.</p> <p>23 BY MR. MARKS:</p> <p>24 Q. Mr. Rosin, did you prepare written rebuttal</p> <p>25 testimony in connection with this proceeding?</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3722	3724
<p>1 A. I did.</p> <p>2 Q. I turn your attention to the thin black binder</p> <p>3 on your desk. I placed before you what has been</p> <p>4 marked for identification as Pandora Exhibit 5021.</p> <p>5 Do you recognize this document?</p> <p>6 A. Yes.</p> <p>7 Q. What is it?</p> <p>8 A. It is my written rebuttal testimony.</p> <p>9 Q. And if you could please turn to the last page</p> <p>10 of the testimony.</p> <p>11 Is that your signature?</p> <p>12 A. Yes.</p> <p>13 Q. And are the attached figures and appendices the</p> <p>14 materials that you reference in your written</p> <p>15 testimony?</p> <p>16 A. Yes.</p> <p>17 MR. MARKS: I offer Pandora Exhibit 5021</p> <p>18 into evidence.</p> <p>19 MR. KLAUS: No objection, Your Honor.</p> <p>20 CHIEF JUDGE BARNETT: 5021 is admitted.</p> <p>21 (Pandora Exhibit No. 5021 was admitted</p> <p>22 into evidence.)</p> <p>23 BY MR. MARKS:</p> <p>24 Q. Mr. Rosin, did you conduct a survey in</p> <p>25 connection with your testimony in this proceeding?</p>	<p>1 population statistics for age, gender, race and</p> <p>2 region of the country.</p> <p>3 Q. And are the additional details of your survey</p> <p>4 methodology set forth in your report?</p> <p>5 A. Yes.</p> <p>6 Q. Let me turn your attention to the next series</p> <p>7 of slides which are also the figures that were</p> <p>8 attached to your report.</p> <p>9 What does Figure 1 show?</p> <p>10 A. So Figure 1 is the result of a rather</p> <p>11 straightforward question. We asked respondents, as</p> <p>12 we have done in other surveys, how important is it to</p> <p>13 you to keep up to date with music, to get a sense for</p> <p>14 simply that. How important music is to people.</p> <p>15 As you can see on the graph, there's 17</p> <p>16 percent, a relatively small percentage that said that</p> <p>17 music -- keeping up to date with music is very</p> <p>18 important to them, somewhat important was 39 percent,</p> <p>19 and the largest chunk, 44 percent, said that keeping</p> <p>20 up to date with music was not at all important to</p> <p>21 them.</p> <p>22 JUDGE STRICKLER: Excuse me, Counsel,</p> <p>23 question. Good morning, Mr. Rosin.</p> <p>24 THE WITNESS: Good morning.</p> <p>25 JUDGE STRICKLER: When I read your</p>
3723	3725
<p>1 A. Yes.</p> <p>2 Q. Let me turn to the demonstratives that you have</p> <p>3 in front of you. They should also be on the screen,</p> <p>4 whichever is more convenient for you.</p> <p>5 Let me start by asking you: What did your</p> <p>6 survey try to measure?</p> <p>7 A. Yeah, so we had two primary goals with our</p> <p>8 survey. The first was to test the notion of whether</p> <p>9 on-demand audio services and what are called</p> <p>10 noninteractive services are a substitute for each</p> <p>11 other or if they serve different roles for consumers.</p> <p>12 The second primary goal was to get a sense for</p> <p>13 the willingness of the broad public to pay for access</p> <p>14 to different types of digital music services.</p> <p>15 Q. And would you please describe, in general</p> <p>16 terms, the methodology that you used in connection</p> <p>17 with this survey?</p> <p>18 A. Yes. So we did a nationally representative</p> <p>19 telephone survey with a sample size of 2,006 people.</p> <p>20 The survey was done at the very beginning of this</p> <p>21 year. We started in the field on January 2nd through</p> <p>22 the 14th of January of this year. The -- it was</p> <p>23 sample of -- representative of all Americans ages 13</p> <p>24 and older. We dialed both landlines and cell phones</p> <p>25 and then the data was weighted at the end to U.S.</p>	<p>1 testimony, I found that question jarring because I</p> <p>2 didn't understand why it was relevant at all as to</p> <p>3 whether or not people kept up to date with music.</p> <p>4 Obviously, I understood their purchasing habits and</p> <p>5 their willingness to pay, although it's obviously</p> <p>6 pertinent to this proceeding, but whether they keep</p> <p>7 up to date with music seems like -- to me anyway, and</p> <p>8 maybe you can explain why I might be wrong, an odd</p> <p>9 question.</p> <p>10 THE WITNESS: I'm not sure I consider it</p> <p>11 odd. We have over the years tried lots of questions</p> <p>12 geared towards how important is music to you, and</p> <p>13 this has sort of proven to be over time sort of the</p> <p>14 easiest for people to understand, and the one that</p> <p>15 seems to work best.</p> <p>16 For instance, we have tried in the past</p> <p>17 this exact same question wording with the word new in</p> <p>18 it and actually the numbers dropped very dramatically</p> <p>19 in terms of saying very important would be</p> <p>20 significantly smaller yet, and we tried how important</p> <p>21 is music to your life. We have tried any number of</p> <p>22 things. Tried to get a sense just for this. Where</p> <p>23 is music in your life. How important is it to you.</p> <p>24 JUDGE STRICKLER: Keeping up to date might</p> <p>25 not necessarily correlate in any way with purchasing</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3726	3728
<p>1 habits. I might be very interested in the music of</p> <p>2 the '80s and the '90s and have no interest in keeping</p> <p>3 up to date whatsoever.</p> <p>4 THE WITNESS: Right.</p> <p>5 JUDGE STRICKLER: So this would not be</p> <p>6 informative with regard to my purchasing habits. I</p> <p>7 might be purchasing strictly '80s and '90s, even</p> <p>8 '70s, but nothing before pre-1972.</p> <p>9 THE WITNESS: Absolutely. And we also ask</p> <p>10 other questions that get to that more directly.</p> <p>11 JUDGE STRICKLER: Do your other questions</p> <p>12 -- are your other questions and your -- the</p> <p>13 population or the subpopulations of your survey</p> <p>14 dependent at all upon how people answer this</p> <p>15 question?</p> <p>16 THE WITNESS: No. We certainly looked at</p> <p>17 what each of these three groups said about all the</p> <p>18 other questions in the survey, but depend upon,</p> <p>19 certainly not.</p> <p>20 JUDGE STRICKLER: So even if you had never</p> <p>21 asked this question, the survey results would be just</p> <p>22 as valid as otherwise would have been?</p> <p>23 THE WITNESS: Oh, absolutely.</p> <p>24 JUDGE STRICKLER: Thank you.</p> <p>25 BY MR. MARKS:</p>	<p>1 minority of people who are very avid users or</p> <p>2 purchasers, in this case, and a larger minority who</p> <p>3 don't participate at all in the market or participate</p> <p>4 on very light levels.</p> <p>5 Q. Turning just to the next figure, what does this</p> <p>6 next slide show?</p> <p>7 A. So this Figure 3 here is the answers to a</p> <p>8 question and actually, what is across the top, there</p> <p>9 is not the full question so I'm going to open up the</p> <p>10 questionnaire and read the totality of the question</p> <p>11 so that you can hear everything we ask.</p> <p>12 It is Question 9A in the survey. So the full</p> <p>13 question was: "There are paid online music services</p> <p>14 that give you on-demand access to a music library.</p> <p>15 These services allow you to stream entire albums or</p> <p>16 individual songs that you chose. You do not own this</p> <p>17 music, but would have access for as long as you are</p> <p>18 paying for that service. Some examples of the</p> <p>19 services are Spotify, Rhapsody and Rdio. How likely</p> <p>20 would you be to pay \$9.99 every month for such an</p> <p>21 Internet audio service?"</p> <p>22 So the graph here -- Figure 3 is the results</p> <p>23 and we asked this question not to everybody in the</p> <p>24 sample, but to everyone who said they don't already</p> <p>25 subscribe to Spotify Premium, so that is actually a</p>
3727	3729
<p>1 Q. Let me turn to one of the questions that Judge</p> <p>2 Strickler just asked.</p> <p>3 Did your survey examine music spending habits?</p> <p>4 A. Yes.</p> <p>5 Q. And what did it show?</p> <p>6 A. So you can see in Figure 2 here, again, a</p> <p>7 somewhat straightforward question, in the past year,</p> <p>8 approximately how much money have you spent</p> <p>9 purchasing physical CDs or digital downloads --</p> <p>10 digital songs and albums. So this is people's best</p> <p>11 estimate.</p> <p>12 They told us a precise number and we are just</p> <p>13 grouping those results here. 45 percent of our</p> <p>14 sample said that they had spent nothing on any kind</p> <p>15 of music, physical or digital, in the year before the</p> <p>16 survey and you can see the percentages. There, 21</p> <p>17 percent said between one and 30 dollars and 18</p> <p>18 percent said that they had spent more than what would</p> <p>19 average out to \$5 a month, \$60 in the year before we</p> <p>20 called them on the phone.</p> <p>21 Q. Does this relate to the observation of the</p> <p>22 80/20 rule of thumb that you describe in your report?</p> <p>23 A. Certainly in a sense. I mean, the music</p> <p>24 business is not unlike many other media or</p> <p>25 entertainment-oriented businesses where there is a</p>	<p>1 little over -- virtually everyone, but it's just a</p> <p>2 little over 96 percent of our sample that does not</p> <p>3 already tell us that they already subscribe to</p> <p>4 Spotify Premium.</p> <p>5 So here is the percentage of people that -- as</p> <p>6 described in that question, and who said that they</p> <p>7 were very, somewhat, not at all -- not very or not at</p> <p>8 all likely, you can see the overwhelming majority</p> <p>9 said not at all likely, 14 percent said not very, and</p> <p>10 only three percent said they would be very likely,</p> <p>11 with 6 percent somewhat likely, as with the question</p> <p>12 posed this way at the \$9.99 price point that was</p> <p>13 proposed.</p> <p>14 We then went on if you --</p> <p>15 Q. Let me stop you there and ask you one follow-up</p> <p>16 question. You mentioned that from the base reflected</p> <p>17 in this figure, you had excluded subscribers to</p> <p>18 Spotify Premium?</p> <p>19 A. Right.</p> <p>20 Q. Did you also exclude subscribers to Rhapsody or</p> <p>21 Rdio?</p> <p>22 A. We did not. They would have been asked this</p> <p>23 question but they were extremely a small percentage</p> <p>24 of the sample.</p> <p>25 Q. So in your view, would it have made a</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3730	<p>1 difference whether you include them or not?</p> <p>2 A. No.</p> <p>3 Q. Did you also do a similar analysis and test</p> <p>4 lower price points?</p> <p>5 A. Yes. So if you go to Figure 4, we asked the</p> <p>6 same question but we said suppose the online service</p> <p>7 just described, costs \$4.99 a month and this is the</p> <p>8 results where we took the people who said very likely</p> <p>9 from the previous question and assumed them into the</p> <p>10 red, and so into the very likely category.</p> <p>11 And so very likely now goes up to 7 percent</p> <p>12 including the people who said very likely at 4.99</p> <p>13 plus the people that already said very likely. And</p> <p>14 you still see though that the overwhelming majority</p> <p>15 at \$4.99 said they were not at all likely, with</p> <p>16 another 15 percent saying not very likely.</p> <p>17 Q. And did you test an even lower price point?</p> <p>18 A. Yes. So then we went on and asked about \$2.99.</p> <p>19 Again, in this case, anyone who already said very</p> <p>20 likely is included in the very likely category, very</p> <p>21 likely now goes up to 14 percent of the population</p> <p>22 saying they are very likely at \$2.99 combined very --</p> <p>23 went up to 30 percent and not at all is still a</p> <p>24 majority of people just under 60 percent, 59 percent,</p> <p>25 saying they are not at all likely to pay \$2.99 every</p>	3732	<p>1 Q. Did you do a similar set of analyses of the</p> <p>2 willingness of active listeners to noninteractive</p> <p>3 services to pay for an on-demand service?</p> <p>4 A. Yes. So Figures 6, 7 and 8 sort of follow the</p> <p>5 same pattern and it's the same question and same</p> <p>6 information, but it's shown only among people who</p> <p>7 told us that they had used Pandora or other</p> <p>8 noninteractive online services in the week before we</p> <p>9 called them and again, excluding those who said that</p> <p>10 they subscribed to Spotify Premium already.</p> <p>11 So on Figure 6, you see the results from that</p> <p>12 subgroup which is actually a little over 40 percent</p> <p>13 of the total, so it's still a very large sample size</p> <p>14 within the total sample, and you see numbers that are</p> <p>15 similar. There is a little bit higher interest, but</p> <p>16 numbers that are very similar to what we saw from the</p> <p>17 total sample, very likely, still three percent, and</p> <p>18 the big chunk of -- still a huge group within this</p> <p>19 group of people who listened to noninteractive online</p> <p>20 services saying they are not at all likely to</p> <p>21 subscribe at the \$9.99 price point.</p> <p>22 Q. Did you also analyze the impact of lowering the</p> <p>23 price point for this subset of respondents?</p> <p>24 A. Yes. You can see in Figure 7, the results</p> <p>25 among the subgroup for the 4.99 price point and you</p>
3731	<p>1 month for such an Internet audio service.</p> <p>2 JUDGE STRICKLER: Did you survey with</p> <p>3 regard to any other price points that are not</p> <p>4 included in the papers that we have here?</p> <p>5 THE WITNESS: No, these are the only three</p> <p>6 price points we have.</p> <p>7 JUDGE STRICKLER: How did you select those</p> <p>8 particular price points?</p> <p>9 THE WITNESS: The 9.99 was tagged to the</p> <p>10 current price of many of the prominent music services</p> <p>11 including Spotify and others. And then 4.99 and</p> <p>12 2.99, we kept the 99 cents thing just for</p> <p>13 consistency's sake, and then we just sort of stepped</p> <p>14 down from the 9.99 to other possible prices.</p> <p>15 JUDGE STRICKLER: You had to make a</p> <p>16 decision as to when to stop and you decided to stop</p> <p>17 at 2.99?</p> <p>18 THE WITNESS: Yes.</p> <p>19 JUDGE STRICKLER: Were you interested in</p> <p>20 prices? Did you consider whether or not to ask the</p> <p>21 question how likely would you be to take a service if</p> <p>22 it was free?</p> <p>23 THE WITNESS: No. Not that way, no.</p> <p>24 JUDGE STRICKLER: Thank you.</p> <p>25 BY MR. MARKS:</p>	3733	<p>1 see there is a little bit more interest than among</p> <p>2 the total sample, very likely now up to 9 percent,</p> <p>3 combined varying somewhat up to 30 percent but the</p> <p>4 majority saying not at all likely, and then you can</p> <p>5 go on to Figure 8 and see the results among the</p> <p>6 subgroup at the \$2.99 price point.</p> <p>7 Now varying somewhat likely at up to 42</p> <p>8 percent, the still most common answer is 45 percent</p> <p>9 for not at all likely at this price point among the</p> <p>10 subgroup.</p> <p>11 Q. Did you also analyze the willingness of</p> <p>12 consumers to pay for a subscription to Pandora if the</p> <p>13 free version of Pandora were no longer available?</p> <p>14 A. Yes. That is reflected in Figure 9. Figure 9</p> <p>15 was asked to anyone in our sample who said they had</p> <p>16 listened to Pandora in the month before that we</p> <p>17 called them for their survey, but did not already</p> <p>18 subscribe to Pandora One, so we are not already using</p> <p>19 Pandora One and we asked the question, as you see,</p> <p>20 supposed the free version of Pandora no longer</p> <p>21 existed, how likely would you be to pay \$4.99 every</p> <p>22 month, and just parenthetically, that is the current</p> <p>23 price, to subscribe to Pandora One, the paid service</p> <p>24 from Pandora that does not have any advertisements.</p> <p>25 So you see here that these group of -- this</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3734	<p>1 group of people who are currently using the free 2 version of Pandora, the clear majority said that they 3 are not likely to subscribe to Pandora One even if 4 the free version were eliminated. Only 7 percent 5 said they'd be very likely, another 15 percent 6 somewhat likely, and so clearly, if the free version 7 of Pandora were to no longer exist, the likely 8 outcome is most people would scatter off looking for 9 other free options as opposed to paying up for a free 10 version of Pandora.</p> <p>11 Q. Let me direct your attention to Figure 10. 12 Could you please explain to the judges what 13 Figure 10 shows?</p> <p>14 A. Right. So Figure 10, you see in the headline 15 there, there is an ellipsis so again, in this case, I 16 want to read the full question because it was a 17 little bit more complicated.</p> <p>18 So this is Question 10 in the questionnaire. 19 And so the full question went: "Now I want to 20 propose a hypothetical situation. Suppose all free 21 Internet radio or music services no longer existed. 22 This means that there would not be a free version of 23 Pandora or Spotify or any other similar free 24 services." There would not be FM radio stations 25 available via streaming -- "and there would not be FM</p>	3736	<p>1 ever listened to Internet or audio.</p> <p>2 THE WITNESS: Right.</p> <p>3 JUDGE STRICKLER: So if I was just curious 4 one time to see how Pandora worked, I went on the 5 site, tried it, seeded one station, never went back 6 to it again, I'd qualify for that base because I 7 listened to Internet audit one time.</p> <p>8 THE WITNESS: Let me make sure -- the 9 answer to that question.</p> <p>10 Yes, so that would be the sum of a few 11 questions we asked about, have you ever listened to 12 the stream of an FM radio station or have you ever 13 listened to an online services that is not a stream 14 of an FM radio station like Pandora, Spotify or 15 another similar service.</p> <p>16 JUDGE STRICKLER: So ever meant one time 17 or more?</p> <p>18 THE WITNESS: It could mean one time, yes.</p> <p>19 JUDGE STRICKLER: Did you consider whether 20 to change the base so that the base was individuals 21 who had listened to Internet audio more regularly?</p> <p>22 THE WITNESS: We certainly did and can get 23 you that information.</p> <p>24 JUDGE STRICKLER: When you say you can't, 25 you did it already and it's not reported or you would</p>
3735	<p>1 radio stations available via streaming. I'm going to 2 read four possible ways you might replace your 3 listening to free Internet radio music services. 4 Which of the following would you be most likely to do 5 instead."</p> <p>6 And we had four options that were shuffled in 7 order so you got a random order of the first four, 8 and then everyone got a fifth option at the end.</p> <p>9 So the four options were: "Pay a subscription 10 fee every month using on-demand Internet music 11 service like Spotify or Rhapsody, listen to free FM 12 radio on a traditional radio, listen to your CDs and 13 music downloads, watching your music videos, or 14 listening to music on YouTube or Vevo," and then 15 everyone got that -- "or would you just listen to 16 less music."</p> <p>17 Of course, people could volunteer another 18 answer or say they didn't know or just say no answer. 19 And the graph in Figure 10 is the outcome of that 20 question and this was asked to anyone who had ever 21 listened to Internet audio.</p> <p>22 JUDGE STRICKLER: May I ask you a 23 question? That part, that base?</p> <p>24 THE WITNESS: Yes.</p> <p>25 JUDGE STRICKLER: These individuals who</p>	3737	<p>1 have to run a new survey?</p> <p>2 THE WITNESS: No, no, no. You can look at 3 any of these questions by further smaller subgroups 4 if one chooses to.</p> <p>5 JUDGE STRICKLER: So you do have the data 6 as to those who responded to the question on Figure 7 10, broken down by the intensity of their listening?</p> <p>8 THE WITNESS: It is certainly available, 9 that information, absolutely.</p> <p>10 JUDGE STRICKLER: But you didn't think it 11 was needed to make -- to include in the report?</p> <p>12 THE WITNESS: Well, this is what we 13 reported in the report. Again, there is any number 14 of ways one can look at data subgroups that one can 15 look at, and I happily can get the Court the 16 information among any subgroups that the Court might 17 be interested in.</p> <p>18 So among everyone who was asked the 19 question, the people who have listened to Internet 20 radio, the biggest group said that they would -- you 21 see in blue, the 34 percent listened to free FM radio 22 on the traditional radio, the second biggest group in 23 green on the left said they would listen to their -- 24 chose the option listen to their CDs and music 25 downloads.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3738	3740
<p>1 Third was the red. 16 percent would watch 2 music videos or listen to music on YouTube or Vevo. 3 15 percent chose that last option, they would simply 4 listen to less music, and 9 percent said they would 5 pay a subscription fee every month using on-demand 6 service like Spotify or Rhapsody. 7 So even if every possible free option were 8 eliminated, only a single digital percentage, 9 9 percent of this group said that they would be likely 10 to pay to access a similar kind of service even if 11 all free options were eliminated. Free Internet 12 options were eliminated. 13 BY MR. MARKS: 14 Q. Mr. Rosin, why did you chose to present five 15 options here as opposed to some other larger number 16 of options? 17 A. You have to keep in mind that this is a 18 telephone survey, and there are limitations in each 19 survey, data collection methodology. There is, of 20 course, any number of ways that someone might replace 21 the time they were spending with Internet based audio 22 services if they were to cease to exist. 23 You have to try to sector them down and group 24 them in a way that people can keep in their head as 25 the interviewer is administering the survey, so that</p>	<p>1 Vevo. 2 So the graph here is the result of the 3 combination of those two questions, you see, by far, 4 the biggest grouping, over 46 percent said it was new 5 listening time not taken from other sources of audio 6 listening, which is consistent with other findings 7 about how technology and particularly Smartphone has 8 sort of expanded the opportunities that people have 9 to just consume audio in general. 10 After that, 23 percent said it came from 11 traditional over-the-air broadcast radio stations, a 12 nice amount said it came from their CDs or music 13 downloads, 18 percent, and only one percent said that 14 that time was mostly coming from an on-demand music 15 service like Spotify or Rhapsody. 16 Q. With regard to the slice that referred to CDs 17 and music downloads, did the survey test in any way 18 whether that would be buying new CDs or listening to 19 CDs or downloads they already have? 20 A. We didn't ask about the providence of the CDs 21 or downloads that they were replacing their time 22 with, how they got those CDs or how they got those 23 music downloads. That was just one of the categories 24 they could answer. 25 Q. Did you do an analysis similar to the one</p>
3739	3741
<p>1 is why we limited it to these five options. 2 Q. Did your survey measure what time spent 3 listening to Pandora is replacing? 4 A. Yes. So we asked the question about that, that 5 is reflected in Figure 11, and so we asked anyone who 6 said they had listened to Pandora in the month before 7 we called them and again, I want to read the question 8 out so it is clear what we asked, so anyone like I 9 said, who listened to Pandora, we said: "Think 10 specifically about the time you spend listening to 11 Pandora. Is the time you spend listening to Pandora 12 mostly replacing time you spend listening to," and we 13 offered the following options: "Traditional 14 over-the-air AM FM radio stations, your CDs and music 15 downloads, other online music services, or is it new 16 listening time that is not taken from other sources 17 of audio listening." 18 People could, again, could volunteer other 19 responses. If someone said it came from other online 20 music services, we went on and asked those people 21 specifically what they said it was. We followed with 22 what kind of online music service is Pandora mostly 23 replacing. Is it the online stream of an FM radio 24 station, another Internet radio service, an on-demand 25 music service like Spotify or Rhapsody or YouTube or</p>	<p>1 reflected in Figure 11 which relates to Pandora for 2 all noninteractive services? 3 A. Yes. So Figure 12 is the same question among 4 people -- anyone who said that they listened to any 5 other noninteractive service, for instance, iHeart, 6 iTunes and others, in the week before they were 7 called but not Pandora, and you see the results in 8 Figure 12 are extremely similar to what you saw in 9 Figure 11. With, in fact, the same 46 percent saying 10 it was new listening time and similar percentages for 11 the other items that we saw in Figure 11. 12 Q. What conclusions have you reached in connection 13 with your work in this proceeding? 14 A. So as you can see on the next page, the primary 15 conclusions that we came to are -- that the market 16 for paid on-demand services is a limited market. The 17 overwhelming majority of consumers telling us they 18 are not likely to pay \$9.99 for an on-demand service. 19 We also saw that noninteractive services and 20 on-demand services are not being used by consumers as 21 close substitutes for each other. In fact, the 22 majority of subscribers to the on-demand services in 23 our sample told us they also used noninteractive 24 services as well. 25 We went on to conclude that very few consumers</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3742	<p>1 are telling us that their time spent with</p> <p>2 noninteractive services are telling us that that time</p> <p>3 is coming from time they haven't spent with on-demand</p> <p>4 services and we saw that people -- many people, the</p> <p>5 majority of people are essentially freaking --</p> <p>6 seeking, sorry. Seeking free, the -- seeking free</p> <p>7 services. Excuse me for that.</p> <p>8 And so that even if all free online services</p> <p>9 were eliminated, they would likely switch not to a</p> <p>10 paid service but to some other form of free.</p> <p>11 JUDGE STRICKLER: Counsel. Question for</p> <p>12 you, Mr. Rosin. If you look at -- looking at your</p> <p>13 testimony, I guess, this is the survey questions</p> <p>14 themselves. If you go to Survey Question 7H, it is</p> <p>15 on Page 8 of your survey work.</p> <p>16 THE WITNESS: Yes.</p> <p>17 JUDGE STRICKLER: I notice that this is</p> <p>18 the one you actually put in the figure before, and it</p> <p>19 says: "Think specifically about the time you spend</p> <p>20 listening to," and it was Pandora in the figure that</p> <p>21 you showed, right?</p> <p>22 THE WITNESS: Yes.</p> <p>23 JUDGE STRICKLER: Then you had shown the</p> <p>24 list of alternative choices that the survey</p> <p>25 respondents were provided, correct?</p>	3744	<p>1 rotate potential answers so there is no bias in the</p> <p>2 order in which the alternatives are provided to the</p> <p>3 survey respondents?</p> <p>4 THE WITNESS: In certain cases, that is</p> <p>5 the case, as well though in terms of structuring</p> <p>6 questions, there is also -- again, keeping in mind it</p> <p>7 is a telephone survey, you want to be able to</p> <p>8 structure it in a way that, you know, this is a</p> <p>9 challenge for people when they are hearing these</p> <p>10 options to keep them organized in their head, so this</p> <p>11 is a question for them that we've used in the past,</p> <p>12 and we found that pinning would be our term for it,</p> <p>13 pinning that fourth code at the end increased the</p> <p>14 comprehension of the question dramatically, so we</p> <p>15 shuffled the first three but always asked the last</p> <p>16 one.</p> <p>17 JUDGE STRICKLER: In survey work, you have</p> <p>18 a question or a problem with regard to -- I think you</p> <p>19 alluded to, about people keeping things in their</p> <p>20 head, it's a retention problem, so if you give people</p> <p>21 four different choices such as on 7D, which I think</p> <p>22 is the right one -- or 6D, rather, the one that dealt</p> <p>23 with Pandora specifically.</p> <p>24 THE WITNESS: Yes.</p> <p>25 JUDGE STRICKLER: If you ask people -- and</p>
3743	<p>1 THE WITNESS: I'm sorry. I didn't</p> <p>2 understand.</p> <p>3 JUDGE STRICKLER: You have several</p> <p>4 different items that were read to the individuals,</p> <p>5 what they were doing with their time.</p> <p>6 THE WITNESS: Exactly.</p> <p>7 JUDGE STRICKLER: In the other questions,</p> <p>8 I saw that you rotated the questions with the</p> <p>9 possible answers, rather, all of them, but on this</p> <p>10 one, the instruction seems to say rotate Codes 1, 2</p> <p>11 and 3.</p> <p>12 Code 4, which was that 46 percent figure,</p> <p>13 if I remember correctly, the answer, new listening</p> <p>14 time that is not time taken from other sources of</p> <p>15 audio listening, that was Code 4, right?</p> <p>16 THE WITNESS: Yes.</p> <p>17 JUDGE STRICKLER: Why wasn't that rotated</p> <p>18 too?</p> <p>19 THE WITNESS: Well, if you look at 6D,</p> <p>20 it's structured the same way, where 1, 2 and 3 are</p> <p>21 shuffled because 4 always comes fourth. Similar to</p> <p>22 6I, it's using the same pattern as each of those, 7D.</p> <p>23 JUDGE STRICKLER: Right. So I guess it's</p> <p>24 my same question for each one. Correct me if I am</p> <p>25 wrong, but is it proper survey procedure to always</p>	3745	<p>1 there's a lot of words in those choices.</p> <p>2 THE WITNESS: Yes.</p> <p>3 JUDGE STRICKLER: So by the time you get</p> <p>4 somebody on the line and you give them the fourth</p> <p>5 choice, don't you have a concern generally in the</p> <p>6 survey work that they're going to say, oh, yeah, that</p> <p>7 one, because they don't really have a good</p> <p>8 recollection of the first three, which is why you</p> <p>9 rotate among survey respondents so you avoid that</p> <p>10 particular bias?</p> <p>11 THE WITNESS: That is certainly a</p> <p>12 potential concern, yes. There is the known effects</p> <p>13 of primacy and recency on list-based questions.</p> <p>14 JUDGE STRICKLER: Were you concerned at</p> <p>15 all, when you saw 46 percent, answering that they</p> <p>16 were just new listening time, that that might have</p> <p>17 been an artifact of not rotating for, rather than</p> <p>18 revealing that people suddenly discovered more time</p> <p>19 to listen to music?</p> <p>20 THE WITNESS: It certainly could be a</p> <p>21 factor.</p> <p>22 JUDGE STRICKLER: Thank you.</p> <p>23 BY MR. MARKS:</p> <p>24 Q. Are these results on these figures generally</p> <p>25 consistent with your work and experience in the field</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3746	3748
<p>1 of audio research?</p> <p>2 A. Yes, especially for telephone surveys.</p> <p>3 MR. MARKS: I have no further questions.</p> <p>4 CHIEF JUDGE BARNETT: Mr. Klaus?</p> <p>5 MR. KLAUS: Yes.</p> <p>6 CHIEF JUDGE BARNETT: I'm sorry, Mr.</p> <p>7 Klaus, I just looked at the clock at the urging of</p> <p>8 one of my colleagues, so we will take our morning</p> <p>9 recess.</p> <p>10 MR. KLAUS: That's fine, Your Honor.</p> <p>11 (A short recess was taken.)</p> <p>12 CHIEF JUDGE BARNETT: Please be seated.</p> <p>13 Mr. Klaus.</p> <p>14 MR. KLAUS: Thank you, Your Honor.</p> <p>15 CHIEF JUDGE BARNETT: Oh, I'm sorry. One</p> <p>16 more thing. Before you begin, we have noticed that</p> <p>17 Mr. Malone has not been here this week. I don't know</p> <p>18 if you are all in touch by your listserv or whatever</p> <p>19 the modern term for that is, but I know he had a</p> <p>20 witness and I don't know where that witness fits in</p> <p>21 your rotation or if anyone has been in touch with</p> <p>22 him.</p> <p>23 MR. LARSON: We have been in touch with</p> <p>24 him and we don't have a specific slot for his. I</p> <p>25 think he has two witnesses, but we are working with</p>	<p>1 MR. KLAUS: And, Your Honors, we have</p> <p>2 designated the survey results, the -- the actual data</p> <p>3 as SoundExchange Exhibit 2284, and the program that</p> <p>4 Mr. Rosin ran and produced as SoundExchange Exhibit</p> <p>5 2285. They are not --</p> <p>6 CHIEF JUDGE BARNETT: Not in the binder?</p> <p>7 MR. KLAUS: The electronic copies are not</p> <p>8 in the binder. They've been produced electronically.</p> <p>9 There are printouts of the data, which I think we</p> <p>10 would be here for quite some time to go through, but</p> <p>11 I would -- at this time, I would just move the data</p> <p>12 and the program of Exhibits 2284 and 2285 into</p> <p>13 evidence.</p> <p>14 MR. RICH: One moment, please.</p> <p>15 MR. MARKS: Your Honor, it's not entirely</p> <p>16 clear what exactly that he's proposing to move into</p> <p>17 evidence and how it will be useful to anybody if it's</p> <p>18 just a piece of software without any attended</p> <p>19 testimony.</p> <p>20 MR. KLAUS: Let me just -- why don't I lay</p> <p>21 some foundation and see what we can do.</p> <p>22 CHIEF JUDGE BARNETT: Okay.</p> <p>23 BY MR. KLAUS:</p> <p>24 Q. Mr. Rosin, can you please turn to Exhibit 13 in</p> <p>25 your big binder, Tab 13.</p>
3747	3749
<p>1 him to try to find where that slot will be in the</p> <p>2 rotation.</p> <p>3 CHIEF JUDGE BARNETT: Okay. Thank you</p> <p>4 very much, Mr. Larson.</p> <p>5 Go ahead, Mr. Klaus.</p> <p>6 MR. KLAUS: Thank you, Your Honor.</p> <p>7 CROSS-EXAMINATION BY COUNSEL FOR</p> <p>8 SOUNDEXCHANGE</p> <p>9 BY MR. KLAUS:</p> <p>10 Q. Good morning, Mr. Rosin.</p> <p>11 A. Good morning.</p> <p>12 Q. We met briefly in the hallway. My name is</p> <p>13 Kelly Klaus. I represent SoundExchange.</p> <p>14 Mr. Rosin, in response to some of the</p> <p>15 judges' questions referred to the fact that some</p> <p>16 analyses or slices of the data that you have from</p> <p>17 your survey could be done by -- by examining that</p> <p>18 data and running programs on them; is that right?</p> <p>19 A. Yes.</p> <p>20 Q. Are those are sometimes called cross tabs?</p> <p>21 A. As an example, yes.</p> <p>22 Q. Okay. And you -- as part of the discovery in</p> <p>23 this proceeding, you produced your data and the</p> <p>24 programs that you have used to analyze the program,</p> <p>25 correct?</p> <p>26 A. Yes.</p>	<p>1 Are you there?</p> <p>2 A. Yes.</p> <p>3 Q. And this is incredibly a couple of hundred --</p> <p>4 several hundred pages of data, lots of numbers, lots</p> <p>5 of numbers.</p> <p>6 Does this appear to you to be a printout of</p> <p>7 your -- the survey results that you had?</p> <p>8 A. I have no way of knowing for sure, of course,</p> <p>9 but it -- I'll accept your assertion that that's what</p> <p>10 this is.</p> <p>11 Q. Okay. And if one looks at your survey</p> <p>12 instrument, and that's both in your small binder and</p> <p>13 at Tab 12 of the larger binder, the survey instrument</p> <p>14 lists numerical codes to be answered next to every</p> <p>15 response, correct?</p> <p>16 A. Yes.</p> <p>17 Q. And so the printout of the data would appear to</p> <p>18 have -- that you see in Exhibit 2281, which is behind</p> <p>19 Tab 13, this is the format that you would expect the</p> <p>20 results of your data to -- to appear in if they are</p> <p>21 printed out, correct?</p> <p>22 A. I've never seen it printed out before, so I'll</p> <p>23 assume that if you hit "print" that's what comes out.</p> <p>24 Q. Okay.</p> <p>25 MR. KLAUS: What I would suggest, Your</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3750	<p>1 Honor -- and let me --</p> <p>2 BY MR. KLAUS:</p> <p>3 Q. I think you answered this before, but since Mr.</p> <p>4 Marks has raised a question, if one were to take your</p> <p>5 data and the programs that you used to run them, both</p> <p>6 of which were produced, one could, for example, look</p> <p>7 at some of the questions that the Court was asking</p> <p>8 you about and do a cross tab and come up with a</p> <p>9 result, correct?</p> <p>10 A. Yes.</p> <p>11 Q. Okay.</p> <p>12 MR. KLAUS: I would suggest that if Mr. Marks</p> <p>13 has any question about the authenticity of what we</p> <p>14 have marked as exhibits -- or what we've designated</p> <p>15 as Exhibits 2284 and 2285, they could reserve that</p> <p>16 and check the electronic files this evening. But</p> <p>17 subject to that, we would -- and verify that they are</p> <p>18 the programs and the data that were -- that were done</p> <p>19 by Mr. Rosin. But subject to that, we would move</p> <p>20 their admission into evidence, Your Honor.</p> <p>21 JUDGE STRICKLER: Were these received by</p> <p>22 you in response to a document request?</p> <p>23 MR. KLAUS: Yes, they were, Your Honor.</p> <p>24 CHIEF JUDGE BARNETT: Can we confer for</p> <p>25 just a moment, please?</p>
3751	<p>1 (A short recess was taken.)</p> <p>2 CHIEF JUDGE BARNETT: Thank you.</p> <p>3 Please be seated.</p> <p>4 Could you give me the numbers again, Mr.</p> <p>5 Klaus?</p> <p>6 MR. KLAUS: Yes.</p> <p>7 SoundExchange Exhibit 2284 and</p> <p>8 SoundExchange Exhibit 2285.</p> <p>9 CHIEF JUDGE BARNETT: Okay. 2284 and</p> <p>10 2285</p> <p>11 are admitted without prejudice to an objection after</p> <p>12 Pandora's counsel has had an opportunity to do</p> <p>13 whatever it is they want to do with all that mass</p> <p>14 data.</p> <p>15 MR. KLAUS: Thank you, Your Honor.</p> <p>16 (SoundExchange Exhibit Nos. 2284 and 2285</p> <p>17 were admitted into evidence.)</p> <p>18 BY MR. KLAUS:</p> <p>19 Q. Mr. Rosin, would you agree, as part of survey</p> <p>20 design, that an important part of the survey process</p> <p>21 is the creation of questions that accurately measure</p> <p>22 the opinions of the public that you are trying to</p> <p>23 survey?</p> <p>24 A. That is certainly a goal that one tries to</p> <p>25 achieve, yes.</p> <p>Q. Would you also agree that the choice of words</p>
3752	<p>1 and phrases and the questions you ask is critical in</p> <p>2 expressing the meaning and intent of the question?</p> <p>3 A. Yes.</p> <p>4 Q. Would you also agree that the choice of words</p> <p>5 and phrases and the questions that you ask is</p> <p>6 critical in ensuring the respondents interpret the</p> <p>7 question the same way?</p> <p>8 A. Yes.</p> <p>9 JUDGE STRICKLER: When you say, "interpret</p> <p>10 the same way," Counsel, do you mean to ask him the</p> <p>11 same way as each other or the same way as the</p> <p>12 questioner or someone else?</p> <p>13 MR. KLAUS: I believe that -- let me ask a</p> <p>14 followup.</p> <p>15 BY MR. KLAUS:</p> <p>16 Q. I meant it to say that the respondents to the</p> <p>17 survey are all on the same page when they are</p> <p>18 answering the same question.</p> <p>19 Is that your understanding of the survey</p> <p>20 design?</p> <p>21 A. That's how I took the question, and yes, that's</p> <p>22 how I answered it.</p> <p>23 JUDGE STRICKLER: Thank you.</p> <p>24 BY MR. KLAUS:</p> <p>25 Q. And would you also agree, as a matter of survey</p>
3753	<p>1 design, that even small wording differences have the</p> <p>2 potential to substantially affect the answers that</p> <p>3 people provide?</p> <p>4 A. Certainly.</p> <p>5 Q. And would you also agree that the number and</p> <p>6 choices of response options offered, the order of</p> <p>7 answer categories can influence how people respond to</p> <p>8 what are called "closed-ended questions"?</p> <p>9 A. Yes.</p> <p>10 Q. And closed-ended questions, examples of those,</p> <p>11 just so we're all on the same page, are questions</p> <p>12 like Question Number 10 in your survey or Question</p> <p>13 Number 7-H. These are questions where the -- I</p> <p>14 believe you were relaying to the Court there are a</p> <p>15 number of responses that are provided to the -- to</p> <p>16 the respondent and the respondent choose -- is asked</p> <p>17 to choose one, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And would you also agree that research has</p> <p>20 suggested that in telephone surveys respondents more</p> <p>21 frequently choose items heard later in the list of</p> <p>22 closed-ended questions?</p> <p>23 A. I -- I know there's a lot of research into</p> <p>24 ordering of list items. I'm not sure exactly the way</p> <p>25 you asked that is exactly correct, that they tend to</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3754	<p>1 choose later items in the lists the way you word it, 2 you worded your question. 3 Q. Let me ask you, if you would, to turn to Tab 19 4 in the big binder. 5 A. Yes. 6 Q. And Tab 19 is a printout of the questionnaire 7 design page from the Pew Research Center. And Pew 8 Research Center's survey materials, that's one of the 9 sources that you cited as something you relied on in 10 your testimony, correct? 11 A. Relied on in -- 12 Q. If you look at your written rebuttal 13 testimony -- 14 A. Oh. 15 Q. -- right after -- right before the slides and 16 after your signature page, I believe you had a list 17 of exhibits that you had -- or documents you had 18 relied on. 19 Do you see that? 20 It's in that binder right -- you're on -- I can 21 see you've got your signature page. If you flip your 22 signature page you should have -- 23 A. Oh. 24 Q. I apologize. My apologies. After the pie 25 charts and before the survey.</p>	3756	<p>1 to come back to it several times. It's either at Tab 2 12 or if it's easier for you in the small binder that 3 Mr. Marks gave you, you're right there with the 4 instrument, and so I'm going to ask you a few 5 questions about the instrument. 6 MR. KLAUS: For the panel, the survey 7 instrument is at Tab 12. The copy that's in your 8 binder has been designated SoundExchange Exhibit 9 2280, but because Mr. Marks has already moved into 10 evidence Mr. Rosin's complete report, including the 11 instrument, this is already in evidence. 12 CHIEF JUDGE BARNETT: Thank you. 13 BY MR. KLAUS: 14 Q. And if I could ask you, Mr. Rosin, to please 15 turn to Page 9 of the instrument. You have here your 16 -- these are your willingness to pay questions, 17 correct? 18 A. Yes. 19 Q. And your testimony in the demonstratives that 20 you provided this morning provided diagram charts of 21 the weighted results of these questions for two 22 groups of respondents, correct? 23 A. Yes. 24 Q. And this question was asked -- this series of 25 questions, 9-A to 9-C, was asked of all respondents</p>
3755	<p>1 A. Yes. 2 Q. Okay. So you're there? 3 A. Yes. 4 Q. And you see you cited the Pew Research Center, 5 correct? 6 A. Yes. 7 Q. And the Pew Research Center, just for the 8 record, that's a respected organization in the world 9 of polling, correct? 10 A. Yes. 11 Q. If you could turn to the fourth page? 12 A. Yes. 13 Q. And do you see at the top it says -- it says 14 0in the first full paragraph, second sentence, 15 "Research suggests that in telephone surveys, 16 respondents more frequently choose items heard later 17 in a list." And that's the quote, "recency effect." 18 Do you see that? 19 A. Yes. 20 Q. And is that consistent with your understanding 21 of what research has shown in terms of -- in terms of 22 what people do with respect to the last question 23 asked in closed-ended questions? 24 A. Yes. 25 Q. Now, if I could ask you, sir, to -- I'm going</p>	3757	<p>1 except those who said they subscribe to Spotify 2 premium, correct? 3 A. Yes. 4 Q. Now, looking at Figure 6, that was just in 5 your -- if you can look -- again, I'll try to keep 6 this easy for us, Mr. Rosin, to minimize the number 7 of things that you have to reach for. But in the 8 little demonstrative chart, Figure 6 -- 9 A. Yes. 10 Q. -- you -- is it correct you found that 12 11 percent of people who listened to a noninteractive 12 service, but do not already subscribe to Spotify 13 premium, are either very or somewhat likely to pay 14 for the hypothetical service that you described at 15 the \$9.99 price point? 16 A. Yes. 17 Q. And those are people -- just so the record is 18 clear, what's shown in Figure 6 are the responses for 19 people who currently listen to noninteractive 20 services, correct? 21 A. Currently it's defined as those who said they 22 had used it in the week before they were called, yes. 23 Q. And that would include listeners to Pandora who 24 did not also subscribe to Spotify premium, correct? 25 A. Correct.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3758	<p>1 Q. And is it consistent with your understanding,</p> <p>2 Mr. Rosin, that Pandora has somewhere in the</p> <p>3 neighborhood of about 80 million active users?</p> <p>4 A. That's what I have read in -- in reports.</p> <p>5 Q. Okay. And is that your -- is that generally</p> <p>6 your understanding of the size of their active user</p> <p>7 base?</p> <p>8 A. Active in that case, I believe defined as</p> <p>9 monthly user base, yes.</p> <p>10 Q. Okay. And just so we're clear, about 12</p> <p>11 percent of just Pandora's active user base, that</p> <p>12 would be about 9.6 million people, correct?</p> <p>13 A. That sounds right, yes.</p> <p>14 Q. Okay. And you understand that Spotify</p> <p>15 currently has fewer subscribers than 9.6 million in</p> <p>16 the United States; is that right?</p> <p>17 A. I don't know exactly how many they have. If</p> <p>18 you tell me it's fewer, I'll -- I'll accept that.</p> <p>19 Q. Do you know one way or the other whether they</p> <p>20 have more or fewer than 9.6 million subscribers in</p> <p>21 the United States?</p> <p>22 A. I am not aware that I know how many subscribers</p> <p>23 they have in the United States.</p> <p>24 Q. Okay. And then if we flip the page to Figure</p> <p>25 7, it is correct, then, that you conclude that 30</p>	3760	<p>1 library, correct?</p> <p>2 A. That's all it says, on-demand access to music</p> <p>3 library, correct.</p> <p>4 Q. You didn't tell respondents how many songs were</p> <p>5 in the music library?</p> <p>6 A. Correct.</p> <p>7 Q. You didn't tell respondents what genres of</p> <p>8 music were included in the library, correct?</p> <p>9 A. Correct.</p> <p>10 Q. You also -- you also told them that the service</p> <p>11 would allow them to stream entire albums of</p> <p>12 individual songs that they chose, correct?</p> <p>13 A. Actually, I think you said "of" and it's</p> <p>14 "entire albums" or --</p> <p>15 Q. I'm sorry. You're right.</p> <p>16 Entire albums or individual songs that they</p> <p>17 chose, correct?</p> <p>18 A. Yes.</p> <p>19 Q. And you also told them that they did not own</p> <p>20 the music but would have access to it for as long as</p> <p>21 they were paying for that service, correct?</p> <p>22 A. Yes.</p> <p>23 Q. Now, you didn't say anything to respondents</p> <p>24 about the availability of playlists, correct?</p> <p>25 A. Correct.</p>
3759	<p>1 percent of people who listen to a noninteractive</p> <p>2 service, but do not already subscribe to Spotify</p> <p>3 premium, they are very or somewhat likely to pay for</p> <p>4 the hypothetical service you describe at the 4.99</p> <p>5 level, right?</p> <p>6 A. That's what that shows, yes.</p> <p>7 Q. If we flip to Figure 8, the number of users of</p> <p>8 noninteractive services who do not already subscribe</p> <p>9 to Spotify premium, who are very or somewhat likely</p> <p>10 to pay for the hypothetical service at the 2.99 price</p> <p>11 point, that number goes to 42 percent, correct?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. Now, if I could ask you to turn back to</p> <p>14 -- we can put the pie charts away for the moment.</p> <p>15 And if I could ask you, Mr. Rosin, to please turn</p> <p>16 back to the survey instrument, again, at Page 9. And</p> <p>17 I would like to ask to -- I want to focus on the</p> <p>18 description of the hypothetical service that you --</p> <p>19 that you have used in these questions, 9-A, 9-B, and</p> <p>20 9-C.</p> <p>21 You said that the service had the following</p> <p>22 features. One of them was on-demand access to a</p> <p>23 music library, correct?</p> <p>24 A. Yes.</p> <p>25 Q. And you didn't define what you meant by music</p>	3761	<p>1 Q. You didn't tell them about the availability of</p> <p>2 playlists that might be curated by the service,</p> <p>3 correct?</p> <p>4 A. Correct.</p> <p>5 Q. You didn't tell them anything about the</p> <p>6 availability of playlists that might be curated by</p> <p>7 artists or popular pace makers in music, correct?</p> <p>8 A. Correct.</p> <p>9 Q. And you're very familiar with the online</p> <p>10 streaming space and that the services -- that are</p> <p>11 available, correct?</p> <p>12 A. Yes.</p> <p>13 Q. That's something you follow pretty closely in</p> <p>14 your line of work?</p> <p>15 A. I certainly try to.</p> <p>16 Q. Okay. And you know that subscription services</p> <p>17 advertise the availability of playlists in the</p> <p>18 materials that they market their services to</p> <p>19 customers, correct?</p> <p>20 A. Some do, yes.</p> <p>21 Q. Okay. And you also didn't tell respondents</p> <p>22 anything about the ability of this service to play</p> <p>23 on-demand music on mobile, did you?</p> <p>24 A. Specifically about mobile, no.</p> <p>25 Q. Okay. And you know that that is -- you know</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3762	<p>1 that the subscription services advertise the</p> <p>2 availability of on-demand mobile listening in their</p> <p>3 marketing materials, right?</p> <p>4 A. I'll accept your assertion that they do.</p> <p>5 Q. Okay. Well, if I could ask just to see if --</p> <p>6 MR. KLAUS: Mr. Nichols, if you could</p> <p>7 bring up Demonstrative 1.</p> <p>8 BY MR. KLAUS:</p> <p>9 Q. And this is -- this is just taken from the</p> <p>10 Spotify Website and their listed features comparing</p> <p>11 Spotify free and Spotify premium.</p> <p>12 Have you seen -- have you seen this page or</p> <p>13 something like this page before?</p> <p>14 A. I saw it in the documents that I was shown</p> <p>15 relating to this. I haven't seen it in the wild, if</p> <p>16 you will, before.</p> <p>17 Q. And do you see that one of the features that's</p> <p>18 listed here is playing on-demand on mobile?</p> <p>19 A. The screen is exceptionally hard to read, but I</p> <p>20 believe that's the first one, yes.</p> <p>21 Q. Okay. Thank you.</p> <p>22 And you didn't tell respondents anything about</p> <p>23 whether they would have the ability in this</p> <p>24 hypothetical service to listen to music offline, did</p> <p>25 you?</p>	3764	<p>1 Q. Okay. And you didn't tell respondents anything</p> <p>2 about the sound quality, the -- the quality of the --</p> <p>3 of the audio that they would receive, correct?</p> <p>4 A. Correct.</p> <p>5 Q. And you know that subscription services</p> <p>6 advertise higher sound quality in their marketing</p> <p>7 materials, right?</p> <p>8 A. Sometimes, yes.</p> <p>9 Q. Okay. And you didn't tell respondents to your</p> <p>10 survey, in describing the hypothetical service,</p> <p>11 anything about the ability to play music on their</p> <p>12 home audio devices, did you?</p> <p>13 A. Correct.</p> <p>14 Q. And that's also something that subscription</p> <p>15 services advertise in their marketing materials,</p> <p>16 correct?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. Now, Questions 9-A and 9-C, which ask</p> <p>19 about willingness to pay, they confront the</p> <p>20 respondents with specific dollar amounts, correct?</p> <p>21 A. Correct.</p> <p>22 Q. Would you agree, Mr. Rosin, that directly</p> <p>23 asking survey respondents their willingness to pay a</p> <p>24 specific amount for a product or a service has the</p> <p>25 risk of serious disadvantages in survey work?</p>
3763	<p>1 A. No, correct.</p> <p>2 Q. And you know that subscription services in the</p> <p>3 course of advertising and promoting their products</p> <p>4 talk about the availability of online listening,</p> <p>5 correct?</p> <p>6 A. The availability of online listening?</p> <p>7 Q. Offline listening?</p> <p>8 A. Offline listening, some do, yes.</p> <p>9 Q. Okay. And you didn't tell respondents anything</p> <p>10 about whether the service would be free of</p> <p>11 advertising, correct?</p> <p>12 A. Correct.</p> <p>13 Q. Okay. And you know that subscription services</p> <p>14 advertise the availability to listen ad-free as a way</p> <p>15 to entice people to -- to take a subscription for</p> <p>16 their service, right?</p> <p>17 A. That's one thing people say, yes.</p> <p>18 Q. And you didn't tell respondents that the</p> <p>19 hypothetical service that you described would have</p> <p>20 unlimited skips, correct?</p> <p>21 A. Correct.</p> <p>22 Q. And you know that subscription services</p> <p>23 advertise the availability to make unlimited skips in</p> <p>24 their marketing materials, right?</p> <p>25 A. Some do, yes.</p>	3765	<p>1 A. No.</p> <p>2 Q. Would you agree that directly asking survey</p> <p>3 respondents their willingness to pay for a specific</p> <p>4 amount for a product or a service does not reflect</p> <p>5 the way the consumers faced purchasing decisions in</p> <p>6 the real world?</p> <p>7 A. Inasmuch as they're on a telephone talking to</p> <p>8 an operator as compared to, say, in a supermarket,</p> <p>9 making a choice at a supermarket, if you're asking in</p> <p>10 that sense, obviously, that's different. But I'm --</p> <p>11 they are very much in the real world when they are</p> <p>12 taking the survey. So I guess it depends on your</p> <p>13 definition of the real world.</p> <p>14 Q. Well, I'm asking your definition of the real</p> <p>15 world. Do you think that -- do you -- do you believe</p> <p>16 that confronting survey respondents with a specific</p> <p>17 price point is similar to the way that they will</p> <p>18 confront purchasing decisions and the choices that</p> <p>19 have to be made in the real world?</p> <p>20 A. Obviously, there is a lot that goes into</p> <p>21 purchase decisions and obviously a survey has</p> <p>22 limitations in terms of precisely nailing a number,</p> <p>23 if you will, in terms of how many people will do</p> <p>24 things, but you use these as directional indications</p> <p>25 of -- of how people might respond.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3766	3768
<p>1 Q. Would you agree that survey respondents often 2 overstate their price sensitivity when they're asked 3 directly about their willingness to pay a specific 4 amount for a product or a service? 5 A. I'm not familiar with specific -- I -- I don't 6 recall specific literature on -- on that. 7 Q. And asking respondents about their willingness 8 to pay specific dollar amounts, is that something 9 that Edison Research typically does in its online 10 radio surveys? 11 A. We have asked similar questions in the past, 12 yes. 13 Q. Okay. Is it something that you've done in any 14 recent versions of the infinite dial reports that you 15 described? 16 A. I don't recall off the top of my head. We do a 17 lot of surveys and I forget if we have asked the 18 question like this in the past or not. 19 Q. Okay. I would like to ask you, sir, if you 20 would, to turn to Tab 8 of your bind -- the large 21 binder. 22 JUDGE STRICKLER: Before you do that -- 23 MR. KLAUS: Yes? 24 JUDGE STRICKLER: -- let me ask a 25 question.</p>	<p>1 was submitted by SoundExchange in this proceeding? 2 THE WITNESS: Correct. 3 JUDGE STRICKLER: Thank you. 4 BY MR. KLAUS: 5 Q. Behind Tab 8, there's a document that's marked 6 SoundExchange Exhibit 2276. It's an Arbitron Edison 7 Media Research entitled "Internet 8." 8 Do you see that? 9 A. Yes. 10 Q. And is this a -- is this is a report that 11 you -- you authored in conjunction with Arbitron 12 Webcast services in or around 2002? 13 A. Yes. 14 Q. Okay. And just for curiosity, I'll ask, are 15 the Internet 8, Internet 9, are those the 16 forerunners? Are those part of the same series that 17 ultimately became Infinite Dial? 18 A. Yes. 19 Q. Okay. 20 A. The name changed over time. 21 Q. Got it. 22 MR. KLAUS: We would move the admission of 23 Exhibit 2276, Your Honor. 24 MR. MARKS: Your Honor, we -- we object. 25 We don't have any objection if he wants to use this</p>
3767	3769
<p>1 This is -- this is your written rebuttal 2 testimony, so you were rebutting particular testimony 3 and positions that you had read in the direct 4 testimony by SoundExchange's witnesses, correct? 5 THE WITNESS: Yes. 6 JUDGE STRICKLER: In fact, you say that on 7 Page 3 when you discuss your assignment and you say 8 you're responding, quote, "to certain assertions made 9 by certain SoundExchange witnesses in the testimony 10 provided as part of SoundExchange's direct case in 11 this proceeding," closed quote, right? 12 THE WITNESS: Yes. 13 JUDGE STRICKLER: Is one of those 14 witnesses Professor McFadden? 15 THE WITNESS: No. 16 JUDGE STRICKLER: Have you read Professor 17 McFadden testimony? 18 THE WITNESS: No. 19 JUDGE STRICKLER: Are you familiar with 20 the -- with the -- what's known as the conjoint 21 survey or conjoint study? 22 THE WITNESS: I would call it a conjoint 23 analysis, perhaps, but yes. 24 JUDGE STRICKLER: So your testimony was 25 not designed to respond to any conjoint analysis that</p>	<p>1 for impeachment, but this is a document that was not 2 on their exhibit list. They served, last night, 3 their 12th amended exhibit list. This is a document 4 that, I believe, was not in anybody's production. We 5 didn't get it at the agreed-upon deadline for the 6 exchange. So if he wants to use it for impeachment, 7 that's fine, but we don't think it's appropriate for 8 them to be adding so many exhibits at the 25th hour. 9 MR. KLAUS: Your Honor, both sides in this 10 case have added many exhibits to the exhibit list, 11 and if that's going to be the rule that there are no 12 more -- this is a publicly-available document. It's 13 a part of the series that the witness authored. 14 CHIEF JUDGE BARNETT: Would you answer 15 are 16 you intending to introduce this for truth of the 17 matter asserted as a new exhibit or is this for 18 impeachment? 19 MR. KLAUS: I am -- I am, actually, just 20 intending to ask him what his findings were in his 21 prior survey work. 22 CHIEF JUDGE BARNETT: A survey done in 23 2002? 24 MR. KLAUS: That's one, yeah. 25 CHIEF JUDGE BARNETT: Sustained. MR. KLAUS: Okay.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3770	<p>1 BY MR. KLAUS:</p> <p>2 Q. So let me ask you this. You said that you had</p> <p>3 asked willingness to pay questions, correct?</p> <p>4 A. In other surveys?</p> <p>5 Q. In other surveys?</p> <p>6 A. Yes.</p> <p>7 Q. And did you ask a willingness to pay question</p> <p>8 in the document that's been marked as Exhibit 2276?</p> <p>9 A. This study from 2002?</p> <p>10 Q. Yes.</p> <p>11 A. I would have to look. I -- I certainly don't</p> <p>12 recall.</p> <p>13 Q. Okay. If I could ask you, then, to turn, sir,</p> <p>14 to Page 19?</p> <p>15 CHIEF JUDGE BARNETT: It's refreshing</p> <p>16 recollection, Mr. Marks.</p> <p>17 MR. KLAUS: Thank you, Your Honor.</p> <p>18 THE WITNESS: Yes.</p> <p>19 BY MR. KLAUS:</p> <p>20 Q. And this was -- one of the questions that was</p> <p>21 asked is reflected in the top chart here was: "Would</p> <p>22 you be willing to pay a small fee to listen to</p> <p>23 content provided by the online station or channel you</p> <p>24 listen to most?"</p> <p>25 Do you see that?</p>	3772	<p>1 that the objection to it was sustained.</p> <p>2 CHIEF JUDGE BARNETT: As long as the</p> <p>3 circumstances are the same; it was produced last</p> <p>4 night and it's from some prior year, presumably,</p> <p>5 2003.</p> <p>6 MR. KLAUS: 2002.</p> <p>7 CHIEF JUDGE BARNETT: Oh, also from 2002?</p> <p>8 MR. KLAUS: Yes.</p> <p>9 CHIEF JUDGE BARNETT: Okay.</p> <p>10 MR. MARKS: Same objection, Your Honor.</p> <p>11 CHIEF JUDGE BARNETT: Those objections</p> <p>12 would be sustained.</p> <p>13 BY MR. KLAUS:</p> <p>14 Q. Do you recall, Mr. Rosin, that you did a later</p> <p>15 version of the -- of what was, at that time, called</p> <p>16 the Internet survey sometime in 2002?</p> <p>17 A. Yeah, I believe we did two studies that year.</p> <p>18 Q. Okay. And did you also ask respondents in that</p> <p>19 survey about their willingness to pay to an online</p> <p>20 streaming service?</p> <p>21 A. I do not recall.</p> <p>22 Q. Okay. Then if I could ask if I could direct</p> <p>23 your attention, then, to Pages 20 and 21. And do you</p> <p>24 see at the bottom that in that -- that in that survey</p> <p>25 the question that you asked was the percentage of</p>
3771	<p>1 A. Yes.</p> <p>2 Q. Okay. And you didn't, in this survey, ask a</p> <p>3 specific dollar amount that someone would be willing</p> <p>4 to pay, correct?</p> <p>5 A. It appears we just said what you just said,</p> <p>6 would you be willing to pay a small fee.</p> <p>7 Q. Okay. And if you would look at Exhibit 227,</p> <p>8 which is Tab Number 9, so this is SoundExchange</p> <p>9 Exhibit 2277.</p> <p>10 MR. KLAUS: Your Honor, we would move the</p> <p>11 admission of it. I am quite certain that the same</p> <p>12 objection will be coming from my friend, Mr. Marks,</p> <p>13 and I would expect the same ruling, as well. But I</p> <p>14 could use it to refresh recollection here.</p> <p>15 CHIEF JUDGE BARNETT: You can use it to</p> <p>16 refresh recollection.</p> <p>17 MR. KLAUS: Okay.</p> <p>18 CHIEF JUDGE BARNETT: So -- but you have</p> <p>19 to have a question to which he does not recall the</p> <p>20 answer to --</p> <p>21 MR. KLAUS: Okay.</p> <p>22 CHIEF JUDGE BARNETT: -- before you can</p> <p>23 refresh recollection.</p> <p>24 MR. KLAUS: I will, then. I just wanted</p> <p>25 to make sure our -- our request to admit it was --</p>	3773	<p>1 respondents who were willing to pay a small fee to</p> <p>2 listen to content provided by an online station or</p> <p>3 channel listened to the most?</p> <p>4 A. Yes.</p> <p>5 Q. And is that consistent with your recollection</p> <p>6 that that survey that you did not ask a specific</p> <p>7 dollar amount to the respondents?</p> <p>8 A. Not in this question. I -- I would have to</p> <p>9 check if we did elsewhere in the survey.</p> <p>10 Q. Okay. But you're not -- you're not recalling</p> <p>11 anyplace where you asked them in that survey,</p> <p>12 correct?</p> <p>13 A. Correct.</p> <p>14 Q. If I could ask you, please, sir, to turn to --</p> <p>15 back to the survey instrument and --</p> <p>16 JUDGE FEDER: Which tab?</p> <p>17 MR. KLAUS: This is Tab 12, Your Honor.</p> <p>18 JUDGE FEDER: Thank you.</p> <p>19 MR. KLAUS: My apologies.</p> <p>20 BY MR. KLAUS:</p> <p>21 Q. Do you have it, Mr. Rosin?</p> <p>22 A. Yes.</p> <p>23 Q. Question -- on the first page, Question A-1,</p> <p>24 you asked each respondent to report their exact age,</p> <p>25 correct?</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3774	3776
<p>1 A. Yes.</p> <p>2 Q. And if the respondents refused to provide their</p> <p>3 age, they were asked in Question A-2 to provide their</p> <p>4 age within a range of years, correct?</p> <p>5 A. Yes.</p> <p>6 Q. And if the respondents wouldn't provide their</p> <p>7 age within that range, the survey was terminated for</p> <p>8 that respondent, correct?</p> <p>9 A. Yes.</p> <p>10 Q. And your data, your underlying dataset record</p> <p>11 the specific age range within which each survey</p> <p>12 respondent falls, correct?</p> <p>13 A. The ones who completed the survey?</p> <p>14 Q. Yes.</p> <p>15 A. Yes.</p> <p>16 Q. Okay. Now, the results that you report in your</p> <p>17 testimony and the figures that you presented, you</p> <p>18 don't break any of those results apart by age group,</p> <p>19 do you?</p> <p>20 A. In my testimony, no.</p> <p>21 Q. Okay. And that's an example -- breaking those</p> <p>22 apart by age group is one of the things that could be</p> <p>23 done by somebody running your program against the</p> <p>24 data to see how they split apart in age groups,</p> <p>25 correct?</p>	<p>1 is important.</p> <p>2 Q. And these are the people who -- particularly in</p> <p>3 the younger ages, they are adopting that way of</p> <p>4 listening now, correct, as they are coming of age?</p> <p>5 A. They've been, yes.</p> <p>6 Q. Okay. And that is -- that group, that 13 to 34</p> <p>7 group and the people who replace them, that's</p> <p>8 literally the future of online radio, correct? Fair</p> <p>9 to say?</p> <p>10 A. I mostly deal with it today of online radio,</p> <p>11 but presuming that they're still here tomorrow,</p> <p>12 they're likely to be the future, as well.</p> <p>13 Q. Okay. And in your Infinite Dial surveys that</p> <p>14 you've done previously, you break down rates of usage</p> <p>15 and other matters by age group, correct?</p> <p>16 A. Yes.</p> <p>17 Q. So if we could take a look, for example, at --</p> <p>18 behind Tab Number 2 in the big binder, this is the --</p> <p>19 this is your 2011 survey, correct?</p> <p>20 A. Yes.</p> <p>21 Q. And, for example -- and this is --</p> <p>22 MR. KLAUS: Your Honor, we would move the</p> <p>23 admission of SoundExchange Exhibit 1735.</p> <p>24 MR. MARKS: No objection.</p> <p>25 CHIEF JUDGE BARNETT: 1735 is admitted.</p>
3775	3777
<p>1 A. Yes.</p> <p>2 Q. Now, you would agree that when you ask</p> <p>3 questions about the usage of streaming services, the</p> <p>4 results that you have seen over time tend to show</p> <p>5 higher usage among people who are in the age range of</p> <p>6 13 to about 34 than for older groups, correct?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. And that's something that -- that --</p> <p>9 you've tracked those sorts of differences in age</p> <p>10 groups in your Infinite Dial reports, correct?</p> <p>11 A. Yes.</p> <p>12 Q. And you have spoken about that publicly about</p> <p>13 the significance of the -- the age breakdown and the</p> <p>14 importance of that -- that consumer base of 13 to</p> <p>15 34-year-olds, correct?</p> <p>16 A. Yes.</p> <p>17 Q. And it's fair to say that for the people who</p> <p>18 operate online streaming services, the Pandoras, the</p> <p>19 iHearts, others in the world, that 13 to 34-year-old</p> <p>20 group, it's your understanding that's a very</p> <p>21 important group for them, correct?</p> <p>22 A. I would assume all customers are important to</p> <p>23 them, but it's -- 13 to 34 is a big percentage of the</p> <p>24 population and that, obviously, is a sizable</p> <p>25 percentage of their customer base; so, of course, it</p>	<p>1 (SoundExchange Exhibit No. 1735 was</p> <p>2 admitted into evidence.)</p> <p>3 BY MR. KLAUS:</p> <p>4 Q. And if you look, for example, Mr. Rosin, at</p> <p>5 Page 25 --</p> <p>6 A. Yes.</p> <p>7 Q. -- you show that -- you show a breakdown by age</p> <p>8 splits of Pandora users on a weekly basis, correct?</p> <p>9 A. Yes.</p> <p>10 Q. And you show that in this that the group</p> <p>11 between 25 and 34 is the highest with 23 percent</p> <p>12 usage on a weekly basis followed by 16 percent of 18</p> <p>13 to 24-year-olds, correct?</p> <p>14 A. As of that time in 2011, yes.</p> <p>15 Q. Okay. And it's your recollection, sir, that in</p> <p>16 succeeding Infinite Dial reports, you've continued to</p> <p>17 present breakdowns of usage by age, correct?</p> <p>18 A. Yeah. Honestly, I don't know that we've used</p> <p>19 all these in every one, but we've certainly looked at</p> <p>20 things by age groups in succeeding studies.</p> <p>21 Q. So, for example, if we could turn to Tab 3 in</p> <p>22 your binder, which is SoundExchange 2267, and if you</p> <p>23 could flip to Page 10.</p> <p>24 A. (Witness complies.)</p> <p>25 Yes.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3778	3780
<p>1 Q. You see, for example, that on Page 10 you've</p> <p>2 given an age breakdown of monthly online radio</p> <p>3 listening showing the highest concentration in the 12</p> <p>4 to 24 group?</p> <p>5 A. Yes.</p> <p>6 Q. 77 percent, correct?</p> <p>7 A. Yes.</p> <p>8 Q. And, then, if you flip to Page 12, Edison also</p> <p>9 reported that weekly online radio listening was most</p> <p>10 heavily concentrated at 69 percent in the 12 to 24</p> <p>11 age group?</p> <p>12 A. Yes.</p> <p>13 Q. And, again, this is your most recent Infinite</p> <p>14 Dial report, correct, 2015?</p> <p>15 A. Yes.</p> <p>16 Q. Okay.</p> <p>17 MR. KLAUS: We'd move the admission, Your</p> <p>18 Honor, of SoundExchange Exhibit 2267.</p> <p>19 MR. MARKS: No objection, Your Honor.</p> <p>20 CHIEF JUDGE BARNETT: 2267 is admitted.</p> <p>21 (SoundExchange Exhibit No. 2267 was</p> <p>22 admitted into evidence.)</p> <p>23 BY MR. KLAUS:</p> <p>24 Q. And behind Tab Number 4, Mr. Rosin, we have</p> <p>25 your -- we have what's been marked as SoundExchange</p>	<p>1 A. Yes. This is as of 20 -- this is as of 2014,</p> <p>2 yes.</p> <p>3 Q. 2014.</p> <p>4 And if we looked at Tab 20, we would see a</p> <p>5 similar -- or we would see a split by age group on</p> <p>6 the week -- the weekly basis, correct, Slide 20?</p> <p>7 A. You said Tab 10, Slide 20?</p> <p>8 Q. Slide 20. My apologies.</p> <p>9 A. Yes.</p> <p>10 Q. And if we look, Mr. Rosin, behind Tab 5 --</p> <p>11 A. Yes.</p> <p>12 Q. -- Exhibit 2273 is your Infinite Dial report</p> <p>13 for 2012, correct?</p> <p>14 A. Yes.</p> <p>15 MR. KLAUS: We'd move the admission of</p> <p>16 Exhibit 2273, Your Honor.</p> <p>17 MR. MARKS: Your Honor, this is not clear</p> <p>18 how this relates to either his -- seems beyond the</p> <p>19 scope and it's getting cumulative in terms of what</p> <p>20 these exhibits relate to. I'm not sure what the</p> <p>21 purpose is to making them exhibits.</p> <p>22 CHIEF JUDGE BARNETT: The objection is</p> <p>23 relevance?</p> <p>24 MR. MARKS: Yes.</p> <p>25 CHIEF JUDGE BARNETT: Thank you.</p>
3779	3781
<p>1 Exhibit 2271, which is the Infinite Dial report from</p> <p>2 2014.</p> <p>3 Does that appear to you to be a copy of that?</p> <p>4 A. Yes.</p> <p>5 MR. KLAUS: We'd move the admission of</p> <p>6 that, Your Honor.</p> <p>7 MR. MARKS: Your Honor, this document is</p> <p>8 already in evidence as Exhibit Pandora 5289. It was</p> <p>9 admitted during the testimony of Dr. Blackburn.</p> <p>10 MR. KLAUS: My apologies for the</p> <p>11 oversight, Your Honor. If it's already in evidence,</p> <p>12 I won't bother admitting this copy.</p> <p>13 JUDGE STRICKLER: Do you want to call our</p> <p>14 attention to any particular page in this document?</p> <p>15 MR. KLAUS: Yes, I did.</p> <p>16 BY MR. KLAUS:</p> <p>17 Q. Exhibit -- Page 19, Mr. Rosin -- actually, the</p> <p>18 slide before that is Page 18. And Page 18 reports</p> <p>19 the breakdown by age splits of people who listen to</p> <p>20 various services within the last month.</p> <p>21 Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. And what you found was that among Pandora users</p> <p>24 55 percent of people age 12 to 24 had listened to</p> <p>25 Pandora within the last month; is that right?</p>	<p>1 Response?</p> <p>2 MR. KLAUS: Yes. One of the things that</p> <p>3 was -- one of the things that's been stated in</p> <p>4 proffering Mr. Rosin as an expert and the foundation</p> <p>5 for his testimony is what he's done in his previous</p> <p>6 Infinite Dial reports. And, in fact, in response to</p> <p>7 one of the Court's questions, one of the things that</p> <p>8 Mr. Rosin talked about was saying that there were</p> <p>9 other types of questions with a similar nature that</p> <p>10 he's asked in his Infinite Dial reports in preceding</p> <p>11 years. So we think that it's -- it's squarely</p> <p>12 relevant to his testimony.</p> <p>13 CHIEF JUDGE BARNETT: Are you going to</p> <p>14 show us something in this particular document to make</p> <p>15 it appear relevant to us, or are you going to leave</p> <p>16 it to us to look through it all and try to determine</p> <p>17 what you think is relevant?</p> <p>18 MR. KLAUS: I could ask Your Honor the</p> <p>19 question -- I could ask Your Honor, once again, the</p> <p>20 questions about the split and age groups that are</p> <p>21 reported in these surveys. To save time, it would</p> <p>22 basically be the same for all of these Infinite Dial</p> <p>23 reports.</p> <p>24 JUDGE STRICKLER: And by the same, you</p> <p>25 mean -- you're referring to the age with the age</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3782	<p>1 splits?</p> <p>2 MR. KLAUS: That's in age, correct.</p> <p>3 CHIEF JUDGE BARNETT: And why is this not</p> <p>4 cumulative?</p> <p>5 MR. KLAUS: It's simply showing that this</p> <p>6 is some -- it's -- it's showing something that Edison</p> <p>7 Research has consistently done over the years, is to</p> <p>8 report by age -- by age groups, Your Honor.</p> <p>9 CHIEF JUDGE BARNETT: You can probably</p> <p>10 just ask that question, couldn't you?</p> <p>11 MR. KLAUS: I would be -- I would be happy</p> <p>12 to, Your Honor, although I don't see the -- the</p> <p>13 prejudice to the other side in terms of the document</p> <p>14 coming in.</p> <p>15 CHIEF JUDGE BARNETT: It's just</p> <p>16 cumulative. 2273 is refused.</p> <p>17 MR. KLAUS: Is -- I'm sorry?</p> <p>18 CHIEF JUDGE BARNETT: Refused.</p> <p>19 MR. KLAUS: Okay.</p> <p>20 BY MR. KLAUS:</p> <p>21 Q. Is it correct, Mr. Rosin, that you have,</p> <p>22 through the Infinite Dial reports over the last</p> <p>23 number of years, done age split reports based on --</p> <p>24 with questions relating to usage?</p> <p>25 A. Yes.</p>	3784	<p>1 JUDGE STRICKLER: First of all, would that</p> <p>2 differ when you did the subgroup?</p> <p>3 THE WITNESS: Yeah. Every time you chose</p> <p>4 a smaller group for analysis, the margin there would</p> <p>5 increase, but I can't tell you specifically what it</p> <p>6 would be for any given group. It would have to be</p> <p>7 calculated.</p> <p>8 JUDGE STRICKLER: And that particular</p> <p>9 calculation, as far as you know, is or is not in the</p> <p>10 underlying data regarding your survey?</p> <p>11 THE WITNESS: By underlying means --</p> <p>12 JUDGE STRICKLER: You said you couldn't</p> <p>13 calculate it. I understand you couldn't calculate it</p> <p>14 now, sitting here.</p> <p>15 THE WITNESS: Sure.</p> <p>16 JUDGE STRICKLER: Was it calculated and</p> <p>17 included in the data that you provided -- that your</p> <p>18 clients provided in discovery in this case?</p> <p>19 THE WITNESS: I do not believe a margin of</p> <p>20 error calculation was part of what was turned over;</p> <p>21 but, obviously, it could be calculated.</p> <p>22 JUDGE STRICKLER: Could it be calculated</p> <p>23 from the data that was turned over?</p> <p>24 THE WITNESS: Yes.</p> <p>25 JUDGE STRICKLER: Okay.</p>
3783	<p>1 Q. Okay. Now, you didn't do a similar age range</p> <p>2 breakout of the responses to Questions 9-A through</p> <p>3 9-C in your survey, did you?</p> <p>4 A. It was not part of my -- my documents that I</p> <p>5 presented today; but, of course, we have that</p> <p>6 information and can look at that information.</p> <p>7 Q. And we could look at that information, too, by</p> <p>8 looking at the data in the program that you produced</p> <p>9 and see what the age splits are for responses to</p> <p>10 questions 9-A through 9-C, right?</p> <p>11 A. Yes.</p> <p>12 Q. And we could do that, in fact, for any of the</p> <p>13 questions that you asked, correct?</p> <p>14 A. Correct.</p> <p>15 JUDGE STRICKLER: If someone, you or</p> <p>16 someone else were to look at these results with</p> <p>17 regard to the age split, how, if at all, would your</p> <p>18 margin of error and confidence intervals change?</p> <p>19 You mentioned them on Page 7 of your</p> <p>20 rebuttal testimony that with regard to the total</p> <p>21 sample, without -- with the age splits, you have the</p> <p>22 margin of error within -- quoting now from you, "a 95</p> <p>23 percent confidence interval for results among the</p> <p>24 entire sample, which is plus or minimum 2 percent"?</p> <p>25 THE WITNESS: Correct.</p>	3785	<p>1 BY MR. KLAUS:</p> <p>2 Q. Mr. Rosin, I would like to turn to your</p> <p>3 conclusion, which was stated on the last slide that</p> <p>4 Mr. Marks showed you, that even if free</p> <p>5 noninteractive services ceased to exist, few</p> <p>6 consumers would switch to a paid on-demand service.</p> <p>7 Most would go to other free options or listen to less</p> <p>8 music.</p> <p>9 Do you recall that conclusion?</p> <p>10 A. Yes.</p> <p>11 Q. And that conclusion derives from the response</p> <p>12 that respondents gave to Question 10 in your survey,</p> <p>13 correct?</p> <p>14 A. Question 10?</p> <p>15 Yes, 10.</p> <p>16 Q. And that was the final substantive question</p> <p>17 asked of respondents in the survey, correct?</p> <p>18 A. If there was a question about SiriusXM usage</p> <p>19 after that and then some demographic questions.</p> <p>20 Q. Got it. Okay.</p> <p>21 Be before the SiriusXM question, that was the</p> <p>22 last substantive question?</p> <p>23 A. Yes.</p> <p>24 Q. And just a couple of questions on the wording</p> <p>25 and the -- the choices here. One of the things that</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3786	<p>1 you said in the second line, and I understand that</p> <p>2 this wasn't always the second option that was read to</p> <p>3 respondents --</p> <p>4 JUDGE STRICKLER: Which question?</p> <p>5 MR. KLAUS: Yes, Your Honor.</p> <p>6 It's Question Number 10 on Page 10 of the</p> <p>7 survey instrument, which is at Tab 12 of your bind --</p> <p>8 of the larger binder.</p> <p>9 JUDGE STRICKLER: Thank you.</p> <p>10 The question, I'm sorry?</p> <p>11 MR. KLAUS: 10 at the top of Page 10.</p> <p>12 JUDGE STRICKLER: Thank you.</p> <p>13 MR. KLAUS: Yes, of course.</p> <p>14 BY MR. KLAUS:</p> <p>15 Q. Are you there at that question, those</p> <p>16 responses, Mr. Rosin?</p> <p>17 A. Yes.</p> <p>18 Q. The second item that's listed here says:</p> <p>19 "Listen to free FM radio on a traditional radio."</p> <p>20 Do you see that?</p> <p>21 A. Yes.</p> <p>22 Q. Why did you include the word "free" before FM</p> <p>23 radio and traditional radio in this response?</p> <p>24 A. I don't recall. I don't recall.</p> <p>25 Q. Okay. When you previously -- like, for</p>	3788	<p>1 CDs, but not if they would buy new ones, correct.</p> <p>2 Q. Okay. And in the hypothetical world that you</p> <p>3 have described in Question Number 10, based on your</p> <p>4 experience and your knowledge about the music</p> <p>5 industry and people's listening habits, you don't</p> <p>6 think that consumers are going to stop buying --</p> <p>7 would stop buying CDs or permanent downloads in a</p> <p>8 world where there were no free services, do you?</p> <p>9 A. Stop buying because there's no free --</p> <p>10 Q. Not because.</p> <p>11 You don't think that in a -- you don't think</p> <p>12 that in a world in which there are no free online</p> <p>13 services, consumers would stop buying permanent</p> <p>14 downloads or CDs, do you?</p> <p>15 A. As long as they were available for purchase, I</p> <p>16 would assume some people would buy them.</p> <p>17 Q. And your study, Mr. -- just a couple of final</p> <p>18 questions, Mr. Rosin.</p> <p>19 You didn't ask any -- you didn't ask any</p> <p>20 respondents to consider what they -- what their</p> <p>21 willingness to do -- what their willingness to pay or</p> <p>22 what their willingness to subscribe to might be as a</p> <p>23 result of trying the free or Freemium version of a</p> <p>24 subscription service like Pandora, did you?</p> <p>25 A. Well, yeah. I'm not sure I understand your</p>
3787	<p>1 example, Question 7-H, which is at the top of Page 8,</p> <p>2 you have one of the response categories there and</p> <p>3 here it appears on the top line. It says:</p> <p>4 "Traditional over-the-air AM/FM radio stations."</p> <p>5 Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. And you didn't use the word "free" there, did</p> <p>8 you?</p> <p>9 A. Correct.</p> <p>10 Q. And one -- among the options that you gave</p> <p>11 respondents in Question Number 10, among the five</p> <p>12 options that were read to them, they weren't given</p> <p>13 the option of purchasing new music, right?</p> <p>14 A. As what they would do instead is purchase new</p> <p>15 music?</p> <p>16 Q. Correct?</p> <p>17 A. Right. The options there are the ones listed.</p> <p>18 Q. Okay. And you didn't ask them whether one of</p> <p>19 the things that they would do would be to buy new</p> <p>20 permanent downloads, did you?</p> <p>21 A. Correct.</p> <p>22 Q. You didn't ask them whether they would in a</p> <p>23 world without any free online service, whether they</p> <p>24 would buy new CDs, did you?</p> <p>25 A. We asked if they would listen to -- to their</p>	3789	<p>1 question.</p> <p>2 Q. It's a bad question. Let me ask it again.</p> <p>3 A. Okay.</p> <p>4 Q. You didn't give respondents any questions about</p> <p>5 the likelihood of subscribing to a service as the</p> <p>6 result of trying the Freemium version of a paid</p> <p>7 service, correct?</p> <p>8 A. In the case of Pandora, we did, and I presented</p> <p>9 that as one of my items. It was -- it was Figure 9.</p> <p>10 The -- it was presented as a hypothetical that if the</p> <p>11 free services were eliminated, but I believe that</p> <p>12 gets to what you're asking about.</p> <p>13 Q. You didn't ask anybody questions of what they</p> <p>14 would do with respect to the payment for what is</p> <p>15 called interact -- what we have -- been referred to</p> <p>16 here as interactive or on-demand services, did you?</p> <p>17 A. Correct.</p> <p>18 Q. And you didn't -- you didn't study what people</p> <p>19 would do in terms of subscribing to a paid service if</p> <p>20 they -- if there said to be ad load on their existing</p> <p>21 service increased, did you?</p> <p>22 A. Correct.</p> <p>23 Q. You didn't study what people would do in terms</p> <p>24 of subscribing to a paid service if there was a cap</p> <p>25 that was placed on the number of hours that they</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3790	<p>1 listened, did you?</p> <p>2 A. I -- correct, I didn't.</p> <p>3 Q. Okay. And you didn't study, in any way, what</p> <p>4 people would do if -- in response to -- strike that.</p> <p>5 Let me ask a different question. I just want</p> <p>6 to focus on your bottom line conclusion. On Slide</p> <p>7 Number -- Figure 10, do you have that pie chart in</p> <p>8 front of you?</p> <p>9 A. Yes.</p> <p>10 Q. And I want to ask, based on your knowledge and</p> <p>11 experience about the industry, Mr. Rosin, do you</p> <p>12 actually think that in a world without free Internet</p> <p>13 radio 58 percent of people who had listened to online</p> <p>14 streaming services would simply go back to listening</p> <p>15 to FM terrestrial radio or their existing music</p> <p>16 collections?</p> <p>17 A. If you're saying as opposed to 57 or 59, no.</p> <p>18 If you're saying that most people -- and I'll risk</p> <p>19 Reverend Spooner visiting me again -- will seek free</p> <p>20 options, the options are already paid for in one of</p> <p>21 those two cases, yes, that's -- that is what I</p> <p>22 believe.</p> <p>23 Q. You know, you said previously, sir, that users</p> <p>24 of online radio are getting more habituated to it and</p> <p>25 it's becoming a more regular part of their lives?</p>	3792	<p>1 A. Yes.</p> <p>2 Q. And you believe that, right?</p> <p>3 A. Yes.</p> <p>4 Q. Okay.</p> <p>5 MR. KLAUS: I have no further questions,</p> <p>6 Your Honor.</p> <p>7 JUDGE STRICKLER: Following up on that</p> <p>8 last question, Counsel in his question made reference</p> <p>9 to look at it on the screen here. You wrote about</p> <p>10 the growth of monthly and weekly numbers of streaming</p> <p>11 and the conversion between the two. And I see in the</p> <p>12 upper right-hand column on that last page of Tab 21,</p> <p>13 there's a weekly monthly conversion.</p> <p>14 What did you mean by conversion on that</p> <p>15 document?</p> <p>16 THE WITNESS: In that sentence, I'm simply</p> <p>17 dividing the weekly number into the monthly number.</p> <p>18 JUDGE STRICKLER: So it's a conversion of</p> <p>19 what to what?</p> <p>20 THE WITNESS: Of what percentage of</p> <p>21 monthly listeners are weekly listeners.</p> <p>22 JUDGE STRICKLER: Okay. I see that.</p> <p>23 Another question for you with regard to</p> <p>24 Figure 10. And, actually, it's really about the</p> <p>25 choices that were given. So it is merely talking</p>
3791	<p>1 A. I don't recall.</p> <p>2 Q. If you look at Tab Number 21 of your binder...</p> <p>3 A. One sec.</p> <p>4 Q. Sure.</p> <p>5 Are you there, Mr. Rosin?</p> <p>6 A. Yes.</p> <p>7 Q. And is Tab Number 21 a story that you wrote on</p> <p>8 or about March 5th, 2015 for radio and Internet news</p> <p>9 called the "Online Audio Habit"?</p> <p>10 A. Yes.</p> <p>11 Q. And this is something you wrote after you</p> <p>12 released the 2015 Infinite Dial survey?</p> <p>13 A. Yes.</p> <p>14 Q. And do you see that on the second page you</p> <p>15 wrote, after reporting the growth in monthly and</p> <p>16 weekly numbers of online streaming listening and the</p> <p>17 conversion between the two, you wrote there's a</p> <p>18 significant story here. You said: "Note the numbers</p> <p>19 in the right most column are growing. Over time, the</p> <p>20 weekly percentage is getting closer and closer to the</p> <p>21 monthly number. This means that users of the</p> <p>22 technology are getting more habituated to it and that</p> <p>23 it is becoming a more regular part of people's</p> <p>24 lives."</p> <p>25 You said that, right?</p>	3793	<p>1 about if you turn to your cross book binder, Tab 12</p> <p>2 in that, and it's Question 10, the choices that you</p> <p>3 gave.</p> <p>4 THE WITNESS: Yes.</p> <p>5 JUDGE STRICKLER: The first choice that is</p> <p>6 listed here is pay a subscription fee every month</p> <p>7 using on-demand music services.</p> <p>8 Were you concerned, at all, that when you</p> <p>9 used the word "every month," that it has sort of an</p> <p>10 indefinite nature to it and that that said it is that</p> <p>11 is a ball and chain every month as opposed to</p> <p>12 changing the wording to paying monthly subscription,</p> <p>13 cancellable monthly subscription?</p> <p>14 In other words, do you think it biases the</p> <p>15 survey in some way by not informing the respondent</p> <p>16 that they can cancel if they want?</p> <p>17 THE WITNESS: I'm not sure it's a biased;</p> <p>18 however, as already discussed, you change -- if you</p> <p>19 change -- even small changes sometimes in wording can</p> <p>20 change the results of questions. My sense is</p> <p>21 changing every month to monthly would not make a big</p> <p>22 difference if we added cancellable. I don't know</p> <p>23 that that would necessarily make a big difference,</p> <p>24 but it probably would have made some difference in</p> <p>25 it.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3794	<p>1 JUDGE STRICKLER: As I -- I know if I'm</p> <p>2 joining a gym and they tell me what the monthly fee</p> <p>3 is one of the questions I will always ask is can I</p> <p>4 cancel, when can I cancel --</p> <p>5 THE WITNESS: Sure.</p> <p>6 JUDGE STRICKLER: -- what's the penalty.</p> <p>7 So, I mean, telling me there's a monthly fee, I want</p> <p>8 to know if it's in perpetuity or what my cancellation</p> <p>9 options are.</p> <p>10 Do you sometimes -- in your experience,</p> <p>11 have you ever drafted questions and -- and made</p> <p>12 certain in a similar type of situation that -- that</p> <p>13 any type of fee that's proposed as a hypothetical has</p> <p>14 a cancellation provision attached to it?</p> <p>15 THE WITNESS: Yeah. I mean, it was</p> <p>16 certainly implied in the previous question, Question</p> <p>17 9-A where we said if you look on the third line of</p> <p>18 the question, "for as long as you're paying for that</p> <p>19 service." So -- and everyone hearing that question</p> <p>20 would have already heard this question.</p> <p>21 So I'm not saying that your assertion that</p> <p>22 had we added the word "cancellable," it wouldn't</p> <p>23 possibly have changed the results, but we had</p> <p>24 already, for instance, in that question, implied the</p> <p>25 for as long as part, which I think speaks to what</p>	3796	<p>1 Q. Mr. Rosin, I have handed you a letter that's</p> <p>2 dated March 5, 2015. It's from Mr. Larson to one of</p> <p>3 my colleagues, Jennifer Bryant.</p> <p>4 And just following up on that, do you see -- we</p> <p>5 had -- you -- you're aware that we asked for</p> <p>6 materials from you and Edison as part of the</p> <p>7 discovery process here, correct?</p> <p>8 A. Uh-huh.</p> <p>9 Q. You're aware of that, yes?</p> <p>10 A. Yes. Sorry.</p> <p>11 Q. Okay. And if you could turn to Page 2, you'll</p> <p>12 see that one of the things that we were told by</p> <p>13 Pandora's counsel in response to their several bullet</p> <p>14 points that relate to the request relating to you,</p> <p>15 one of the things that we had asked for were all</p> <p>16 pilot or pretest materials.</p> <p>17 Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And what we were told by Pandora's counsel was</p> <p>20 there were no pilots or pretests.</p> <p>21 Do you see that?</p> <p>22 A. Yes.</p> <p>23 Q. Was that incorrect information that we were</p> <p>24 provided?</p> <p>25 A. Well, there -- the word "materials" probably</p>
3795	<p>1 you're asking about with regard to cancel --</p> <p>2 cancellableness [sic] -- to make up a word --</p> <p>3 JUDGE STRICKLER: Coining phrases?</p> <p>4 THE WITNESS: Yes.</p> <p>5 MR. KLAUS: May I ask a follow-up</p> <p>6 question, Your Honor, on that?</p> <p>7 CHIEF JUDGE BARNETT: Yes, please.</p> <p>8 BY MR. KLAUS:</p> <p>9 Q. Mr. Rosin, you didn't run a pretest or a pilot</p> <p>10 of this survey, did you?</p> <p>11 A. We pretested -- many of the questions we've</p> <p>12 asked in other surveys before so they had already</p> <p>13 gone through that process. We pretested the couple</p> <p>14 of questions that were new against people in our</p> <p>15 office and people that we typically call to ask about</p> <p>16 their level of comprehension of questions, plus we</p> <p>17 monitor the beginning of the survey of one or several</p> <p>18 of our employees listen in as surveys are going on to</p> <p>19 check for comprehension, and then on top of that we</p> <p>20 work very closely with our phone room partners and</p> <p>21 they inform us if there's problems with the survey.</p> <p>22 MR. KLAUS: May I approach the witness,</p> <p>23 Your Honor?</p> <p>24 CHIEF JUDGE BARNETT: You may.</p> <p>25 BY MR. KLAUS:</p>	3797	<p>1 should have been added -- possibly could have been</p> <p>2 added to that sentence and -- but we engaged in the</p> <p>3 activities that I mentioned in my answer to that</p> <p>4 question. We didn't pilot in the sense of put it in</p> <p>5 the field for a day with no intention of using that</p> <p>6 data as an example of a kind of pilot test, and then,</p> <p>7 you know, evaluate it in that sense.</p> <p>8 Q. Did you record anything from the pilot or</p> <p>9 pretest that you described?</p> <p>10 A. Not that I recall.</p> <p>11 Q. Do you have any recording of whether we</p> <p>12 discussed a number of questions and the reason for</p> <p>13 wording -- the wording of them and the like? For</p> <p>14 example, that Judge Strickler was asking you about on</p> <p>15 a monthly basis, nothing that would show whether or</p> <p>16 not respondents had any level of confusion about the</p> <p>17 monthly subscription fee and what that would entail</p> <p>18 or whether it would be cancellable?</p> <p>19 A. I don't recall any feedback on that.</p> <p>20 Q. Okay.</p> <p>21 MR. KLAUS: I have no further questions at</p> <p>22 this time, Your Honor.</p> <p>23 Thank you.</p> <p>24 MR. MARKS: Briefly, Your Honor.</p> <p>25 CHIEF JUDGE BARNETT: Sure.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3798	3800
<p>1 REDIRECT-EXAMINATION BY COUNSEL FOR 2 PANDORA 3 BY MR. MARKS: 4 Q. Let me pick up, Mr. Rosin, where Mr. Klaus left 5 off. 6 In the monitoring of the questions that was 7 done at the beginning of the survey, was any 8 confusion on behalf of survey respondents reported? 9 A. I don't recall any. 10 Q. And in the -- you mentioned that some of the 11 questions had been used in -- in other surveys. 12 Are you aware of any confusion arising out of 13 the questions that had been used in other surveys? 14 A. These would have been past that point, so no. 15 Correct. No. 16 Q. You were asked a question by Judge Strickler 17 about the margin of error for the survey. 18 Do you recall that question? 19 A. Yes. 20 Q. And I believe that you said that you couldn't, 21 off the top of your head, calculate a margin of error 22 for every split or subgroup. 23 Do you recall that? 24 A. Yes. 25 Q. Have you calculated a margin of error for each 26 of the figures in your presentation today?</p>	<p>1 BY MR. MARKS: 2 Q. You were asked by Mr. Klaus some questions 3 about respondents who refused to give their age and 4 then did not complete the -- did not go on to take 5 the survey. 6 Do you recall that? 7 A. Yes. 8 Q. In your survey, of respondents who agreed to 9 take the survey, what percentage of respondents who 10 agreed to take the survey and started answering the 11 survey answered all the questions and completed the 12 survey? 13 A. I know that the number was very, very tiny who 14 failed to complete once they started -- I know the 15 number is 11 out of what would be the 2006 plus the 16 11. I can't calculate that off the top of my head. 17 Q. Let me rephrase my question so I'm not asking 18 you to do math without a calculator. 19 Of the -- of the total number of people who 20 began the survey, what's the number of people who 21 failed to complete the survey? 22 A. Eleven. 23 JUDGE STRICKLER: Could somebody begin the 24 survey if they didn't give their age or they don't 25 count in the population, the sample?</p>
3799	3801
<p>1 A. Yes. 2 Q. And when you go from the largest group, which 3 had the -- reported the 2 percent margin of error 4 reported in your testimony to some of the subgroups 5 that we looked at in the slides, what is the highest 6 margin of error for any of those subgroups? 7 A. The highest was just over 4 percent. 8 JUDGE STRICKLER: That's listed in the 9 report? 10 The 2 percent I know because I asked it. 11 I looked at it. 12 Is the 4 percent also listed in the 13 report? I don't see it in there. 14 THE WITNESS: Not that I recall. 15 JUDGE STRICKLER: And so you -- you recall 16 that in some of the subgroups where you get the 4 -- 17 the 4 percent is the highest margin of error? 18 THE WITNESS: Of any of the ones that are 19 in the packet that you were looking at -- in the 20 demonstrative. 21 JUDGE STRICKLER: In the demonstrative. 22 Did the confidence level stay the same, 95 23 percent? 24 THE WITNESS: Four percent at the same 25 confidence level, yes.</p>	<p>1 THE WITNESS: They would -- they wouldn't 2 count. They would be as if they never started. 3 JUDGE STRICKLER: So that's 2006 plus 11 4 doesn't include those who never got started because 5 they said I'm not telling you my age? 6 THE WITNESS: Correct, they would not be 7 in that, but there would be 11 people who somewhere 8 after that hung up for whatever reason and did not 9 finish, and those people are -- even if you run the 10 next to last question and failed to complete, you 11 would not be included in the sample. 12 JUDGE STRICKLER: How many people, when 13 you were trying to do the sampling, refused to give 14 their age right from the get-go? 15 THE WITNESS: I don't know. 16 BY MR. MARKS: 17 Q. And just generally, based on your experience, 18 what are some of the reasons a survey respondent 19 might fail to complete a telephone survey? 20 A. Well, not in this case, but, of course, in many 21 cases it's length of survey. But this was a 22 relatively short survey, so that's probably not the 23 case here. But, of course, there's any number of 24 imaginable reasons. The smoke alarm goes off. You've 25 got a call on the other line. Kids come home from</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3802	3804
<p>1 school. Anything you could imagine who we'll</p> <p>2 sometimes have someone say usually with a regret, not</p> <p>3 always, I'm sorry, I can't finish. I can't continue.</p> <p>4 Q. You were asked some questions during Mr.</p> <p>5 Klaus's cross-examination about your questions that</p> <p>6 asked people to respond to their willingness to pay</p> <p>7 for an on-demand service at a particular price point.</p> <p>8 Do you recall that?</p> <p>9 A. Yes.</p> <p>10 Q. In your experience, does asking consumers their</p> <p>11 willingness to pay for a product at a particular</p> <p>12 price point have significant predictive power?</p> <p>13 MR. KLAUS: Objection, Your Honor. Lacks</p> <p>14 foundation. He hasn't established any -- any record</p> <p>15 other than this survey of having asked for something</p> <p>16 at a particular price point.</p> <p>17 MR. MARKS: Mr. Rosin has been doing</p> <p>18 consumer surveys for 30 years. He's been qualified</p> <p>19 as an expert. I'm just asking as a general basis</p> <p>20 whether or not he thinks it has predictive power to</p> <p>21 ask the question.</p> <p>22 CHIEF JUDGE BARNETT: Overruled.</p> <p>23 BY MR. MARKS:</p> <p>24 Q. You can answer.</p> <p>25 A. Yes, of course, it has predictive power. It's</p>	<p>1 change if Counsel's question related to spending more</p> <p>2 on downloads rather than CDs?</p> <p>3 THE WITNESS: They were -- no. I think --</p> <p>4 no, it would not change.</p> <p>5 BY MR. MARKS:</p> <p>6 Q. And do -- if you had asked questions about</p> <p>7 increasing the ad load on noninteractive services,</p> <p>8 would that change your conclusions about the size of</p> <p>9 the market for a paid subscription service?</p> <p>10 A. No.</p> <p>11 Q. And if you had asked -- if you had pointed out</p> <p>12 in your hypothetical questions that the on-demand</p> <p>13 service that would be available was also available on</p> <p>14 mobile, would you expect that would change any of</p> <p>15 your conclusions?</p> <p>16 A. No.</p> <p>17 Q. And if you had asked, as part of that</p> <p>18 hypothetical, whether there was online or offline</p> <p>19 listening available, would that have changed any of</p> <p>20 your conclusions?</p> <p>21 MR. KLAUS: Object. Object, Your Honor.</p> <p>22 These are incomplete hypotheticals. Didn't ask the</p> <p>23 question. He doesn't have the data. I don't know</p> <p>24 what the foundation is for him to say that this would</p> <p>25 or would not change his conclusions.</p>
3803	3805
<p>1 not perfect by any means. There's many aspects that</p> <p>2 go into someone's purchasing decisions, but as a</p> <p>3 prediction of the size of market, these are tools</p> <p>4 that are used all the time by many, many people.</p> <p>5 Q. You testified earlier today that it's a</p> <p>6 relatively small number -- a relatively small</p> <p>7 percentage of consumers that make up most of the</p> <p>8 purchasing or the spend on music.</p> <p>9 Do you recall that?</p> <p>10 A. Yes.</p> <p>11 Q. And then Mr. Klaus asked you a series of</p> <p>12 questions about pointing out that you didn't ask</p> <p>13 if -- as one of the options if free noninteractive</p> <p>14 services went away that you didn't ask whether or not</p> <p>15 people would start spending more money on CDs.</p> <p>16 Do you recall that?</p> <p>17 A. Yes.</p> <p>18 Q. In your experience, does the failure to have</p> <p>19 asked about whether or not people would have paid for</p> <p>20 more CDs, does that affect your conclusion, at all,</p> <p>21 that in this marketplace it's a relatively small</p> <p>22 percentage of the population that makes up most of</p> <p>23 the spending?</p> <p>24 A. No, it does not change that conclusion.</p> <p>25 JUDGE STRICKLER: Does your conclusion</p>	<p>1 MR. MARKS: He has been working in this</p> <p>2 area and studying in this area for decades. He's</p> <p>3 asked -- been -- he's been studying it, as Mr. Klaus</p> <p>4 pointed out, back into the earliest time if not</p> <p>5 before. He has seen numerous results over time. I'm</p> <p>6 not asking him to give percentages or specific</p> <p>7 percentages, but just his understanding of -- and</p> <p>8 the -- for the general patterns he's observed over</p> <p>9 time.</p> <p>10 JUDGE STRICKLER: Well, wouldn't that</p> <p>11 suggest that he doesn't need to do the surveys</p> <p>12 because from his experience about the surveys he</p> <p>13 knows the answers before he even asks the question?</p> <p>14 This is not Jeopardy.</p> <p>15 MR. KLAUS: I don't mean to -- I don't</p> <p>16 mean to suggest that it is, Your Honor.</p> <p>17 CHIEF JUDGE BARNETT: The objection is</p> <p>18 sustained.</p> <p>19 BY MR. MARKS:</p> <p>20 Q. Mr. Rosin, you were asked some questions</p> <p>21 earlier during your exam about your survey findings</p> <p>22 with regard to the number of people who report that</p> <p>23 the time they spend listening to Pandora or other</p> <p>24 noninteractive services is coming -- is the result of</p> <p>25 new listening time as opposed to coming from a</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3806	3808
<p>1 different source of music. 2 Do you recall that? 3 A. Yes. 4 Q. Could you tell the panel what developments 5 there had been in the marketplace that you're aware 6 of that facilitate new listening time? 7 MR. KLAUS: Objection, Your Honor. That's 8 beyond the scope of my cross-examination. 9 CHIEF JUDGE BARNETT: Sustained. 10 MR. MARKS: No further questions. 11 CHIEF JUDGE BARNETT: Judge Feder? 12 Thank you. Thank you, Mr. Rosin. You may 13 be excused. 14 We will be in recess until 1:05. 15 (A short recess was taken.) 16 CHIEF JUDGE BARNETT: Please be seated. 17 All except the witness. 18 DOMINIQUE M. HANSENS, 19 being first duly sworn, to tell the truth, the whole 20 truth and nothing but the truth, testified as 21 follows: 22 CHIEF JUDGE BARNETT: Good afternoon. 23 MS. ABLIN: Good afternoon, Your Honor. 24 DIRECT EXAMINATION BY COUNSEL FOR NAB 25 BY MS. ABLIN:</p>	<p>1 Q. And do you focus on any particular areas of 2 research at UCLA? 3 A. Yes. Throughout my career, my main focus of 4 research has been on marketing. 5 Q. Have you received any awards for your teaching 6 or research? 7 A. Well, on the teaching front, I've been 8 fortunate to have earned a few teaching awards, 9 including a decade award for the faculty at UCLA 10 Anderson. 11 And on the research front, some of my papers, I 12 believe five of them, in marketing have won Best 13 Paper of the Year awards. And then later in my 14 career I received some lifetime achievement wards, 15 two of them from the American Marketing Association 16 and two of them from the Society for Marketing 17 Science. 18 Q. Please describe briefly for us your 19 publications. 20 A. Well, in the course of my career to date, I 21 have written approximately 105 papers. That would 22 include published articles, mainly marketing 23 journals, books, book chapters, working papers and 24 various reports. 25 Q. Do you have other experience in the field of</p>
3807	3809
<p>1 Q. Good afternoon, Professor Hanssens. 2 A. Good afternoon. 3 Q. Where are you employed? 4 CHIEF JUDGE BARNETT: Excuse me. Let's 5 begin with stating your name and spelling your last 6 name, please. 7 MS. ABLIN: Sure. 8 BY MS. ABLIN: 9 Q. Could you spell your last name for the record 10 and your first name as well. 11 A. Sure. My last name is Hanssens, 12 H-A-N-S-S-E-N-S. My first name is Dominique, D-O-I- M 13 -- I'm sorry -- D-O-M-I-N-I-Q-U-E. There we go. 14 Q. And where are you employed? 15 A. I'm a professor at the UCLA Anderson School of 16 Management. 17 Q. And how long have you been there? 18 A. I've been on that faculty since 1977. 19 Q. And please describe your educational 20 background. 21 A. Well, my undergraduate degree from my native 22 country, which is Belgium, which is where I studied 23 economics. And then I went to Purdue University 24 where I got both master's and Ph.D. degrees in 25 management.</p>	<p>1 marketing outside of your academic work? 2 A. Outside -- strictly outside academia, I've done 3 consulting work in various parts of marketing 4 throughout my career for a variety of organizations. 5 And I have also served as -- as the executive 6 director of the Marketing Science Institute in 7 Cambridge, Massachusetts. And that's a nonprofit 8 organization that focuses on the bridge between 9 marketing academia and marketing practice. 10 Q. Please describe your experience both designing 11 and using consumer surveys. 12 A. Well, consumer surveys have been an integral 13 part of my work throughout my career because I'm very 14 empirically oriented. I look at data a lot. And 15 that -- so I've done numerous surveys, either 16 surveyed -- excuse me -- designed, supervised, used 17 surveys in all three aspects of my career, in other 18 words, in research, in consulting as well as in 19 teaching. 20 Q. And have you previously served as a marketing 21 and consumer survey expert in other cases? 22 A. Yes, I have. And I believe to date I have done 23 approximately 25 cases where I served -- where I did 24 testimony either in deposition or in court or both. 25 And then I've done another 20 or 22 or so cases</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3810	<p>1 where I delivered the declaration or the report but</p> <p>2 which did not lead to subsequent testimony.</p> <p>3 MS. ABLIN: Your Honors, NAB tenders</p> <p>4 Professor Hanssens as an expert in marketing,</p> <p>5 marketing research and consumer surveys.</p> <p>6 CHIEF JUDGE BARNETT: Professor Hanssens</p> <p>7 is so qualified.</p> <p>8 MS. ABLIN: Thank you.</p> <p>9 BY MS. ABLIN:</p> <p>10 Q. Professor Hanssens, did you submit written</p> <p>11 rebuttal testimony in this proceeding?</p> <p>12 A. Yes, I did.</p> <p>13 Q. And could you please turn to the first tab in</p> <p>14 the binder that's in front of you. I believe it's</p> <p>15 got your name on it.</p> <p>16 A. Yes.</p> <p>17 Q. Do you see a document there that is marked as</p> <p>18 NAB Exhibit 4012?</p> <p>19 A. I see it.</p> <p>20 Q. And is NAB Exhibit 4012 a copy of your</p> <p>21 testimony?</p> <p>22 A. Yes, it is.</p> <p>23 Q. And to the best of your knowledge, is your</p> <p>24 testimony true and accurate?</p> <p>25 A. Other than a couple of typos in an appendix or</p>	3812	<p>1 category we're talking about. We're talking about</p> <p>2 U.S.-based; has to be commercial; and it has to be a</p> <p>3 simulcast of radio stations that are terrestrial, so</p> <p>4 AM -- AM or FM; and they have to play music.</p> <p>5 Q. And how did you decide to complete that</p> <p>6 assignment?</p> <p>7 A. I decided to complete that assignment by</p> <p>8 conducting a survey since what I'm being asked here</p> <p>9 is a consumer's point of view. So I went directly to</p> <p>10 a representative sample of consumers of these kinds</p> <p>11 of services.</p> <p>12 Q. If you could turn to Page 4 in your</p> <p>13 demonstrative binder and then tell us a little bit</p> <p>14 about the headline conclusions that you've reached</p> <p>15 from doing your survey.</p> <p>16 A. Yes. At the conclusion of the survey, I</p> <p>17 produced an estimate of the relative value of music</p> <p>18 relative to other program elements in --</p> <p>19 incidentally, from now on I'll use the term "radio</p> <p>20 simulcast" to refer to that long characterization of</p> <p>21 a minute ago.</p> <p>22 So 57 percent of the total value is provided by</p> <p>23 music. That is the average. There is a 95 percent</p> <p>24 confidence interval around that average, which brings</p> <p>25 us in the range of 54 to 60 percent. That's</p>
3811	<p>1 so, it is complete, yes.</p> <p>2 Q. And please turn to the page following your</p> <p>3 testimony and right before your CV.</p> <p>4 A. Yes.</p> <p>5 Q. Is that a declaration bearing your signature?</p> <p>6 A. Yes, it is.</p> <p>7 MS. ABLIN: Your Honors, NAB offers NAB</p> <p>8 Exhibit 4012 into evidence.</p> <p>9 MS. LEMOINE: No objection, Your Honor.</p> <p>10 CHIEF JUDGE BARNETT: 4012 is admitted.</p> <p>11 (NAB Exhibit No. 4012 was admitted into</p> <p>12 evidence.)</p> <p>13 BY MS. ABLIN:</p> <p>14 Q. Now, could you please take out your</p> <p>15 demonstrative binder and turn to the third page</p> <p>16 there.</p> <p>17 A. Yes.</p> <p>18 Q. Could you describe for us, Professor Hanssens,</p> <p>19 what you were asked to do in this proceeding.</p> <p>20 A. Well, in this proceeding I have been asked to</p> <p>21 both design a survey and implement it and then</p> <p>22 analyze the results with respect to the relative</p> <p>23 value assigned to music of listeners to a certain</p> <p>24 form of radio simulcast.</p> <p>25 And there is a strict delineation here of the</p>	3813	<p>1 Conclusion No. 1.</p> <p>2 Therefore, the remaining 43 percent, on</p> <p>3 average, would be to other programatic elements of</p> <p>4 these services. And there is a list there of what</p> <p>5 they include. So we're talking about news, weather,</p> <p>6 traffic, disc jockeys, local event announcements and</p> <p>7 so forth.</p> <p>8 Q. Let's talk a little bit about the design of</p> <p>9 your survey. And I'll refer you to Page 5 in your</p> <p>10 demonstrative binder.</p> <p>11 First, did you have any assistance in designing</p> <p>12 and implementing your survey?</p> <p>13 A. Yes, I did. There were three organizations</p> <p>14 involved here. The first is Cornerstone Research,</p> <p>15 with whom I've had the most contact and with whom I</p> <p>16 have worked on numerous cases before.</p> <p>17 Secondly, because obviously there's a survey</p> <p>18 here, we went to a professional survey firm, TRG, or</p> <p>19 Target Research Group. And that is a group that I've</p> <p>20 had prior experience with. They have a great deal of</p> <p>21 expertise in conducting surveys.</p> <p>22 And finally, since the methods that was used --</p> <p>23 or the medium, I should say, is an Internet panel, we</p> <p>24 brought in a leading Internet panel data provider by</p> <p>25 the name of Toluna.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3814	<p>1 Q. And why did you choose to do an Internet or 2 online survey? 3 A. Well, There are various reasons for that. 4 First of all, we start from a very, very broad base. 5 Because Toluna, in this case, has a membership base 6 of -- I believe it's about 1.7 million members in the 7 United States. So it's a very broad base to begin 8 with. 9 Secondly, this particular approach allows us, 10 as it says on the slide there, a double-blind design. 11 There is no interviewer involved. So there's no 12 potential bias by the nature or the personality of 13 the interviewer. 14 Of course the survey is double-blind. So when 15 the person is invited to participate, he or she does 16 not know what the ultimate objective of the study is, 17 and the sponsor is never mentioned. 18 There also is very substantive advantages in 19 the data collection itself. Is it very efficient. 20 The data are entered directly, so there's no coding 21 error from another human intervention here. And 22 finally -- and, of course, there's various 23 verification procedures that are possible. 24 And finally, since ultimately we're talking 25 about a segment of online users or a particular set</p>	3816	<p>1 Toluna in this particular case and with particular 2 reference to demographic representation. 3 I do not know for a fact, because Toluna 4 has been around for some time, what the first contact 5 is. It is undoubtedly online because it's an online 6 panel. So they are basically invited, and they are 7 given some attractive incentives to participate. 8 They basically collect points, and then these points 9 can be cashed in for prizes at some point. 10 JUDGE FEDER: Thank you. 11 JUDGE STRICKLER: Another question for 12 you, sir. Good afternoon. 13 THE WITNESS: Good afternoon. 14 JUDGE STRICKLER: You say in Paragraph 17, 15 and you just mentioned in your testimony, that you 16 worked with two other organizations, Target Research 17 Group and Cornerstone Research, to design and conduct 18 an online survey. 19 What was the relative contributions of 20 each, and in what areas did they contribute? 21 THE WITNESS: Yes. Cornerstone is an 22 organization that provides litigation support 23 services in general and that I have used many times 24 in the past, either survey related or not. 25 And a team at Cornerstone was my primary</p>
3815	<p>1 of services that are online, it seemed appropriate to 2 me to use an online medium to survey people about 3 their behaviors and attitudes towards one particular 4 online service. 5 JUDGE FEDER: You said that Toluna has a 6 membership of 1 point something million? 7 THE WITNESS: Yes. 8 JUDGE FEDER: What exactly do you mean by 9 "membership"? 10 THE WITNESS: Yes. Well, it's not 11 membership in the sense that you have to pay. But 12 they have been able to assemble 1.7 million people in 13 the United States that represent the nation 14 demographically; and that, in exchange for some small 15 incentives, are willing to be asked from time to time 16 to participate in an interview -- I'm sorry -- in a 17 survey. 18 They are never forced. It is always 19 voluntary. But because we start with such a large 20 base, we actually get a very, very reasonable 21 response rate. 22 JUDGE FEDER: And this base, are they 23 self-selected, or how do they become part of that 24 group? 25 THE WITNESS: Yes. They are selected by</p>	3817	<p>1 contact. And that is for everything such as the -- 2 taking my outlines, helping me to draft, making sure 3 that footnotes are accurate, that kind of support 4 work. That's Cornerstone. 5 TRG has nothing to do with Cornerstone. 6 They are an independent market research firm. I and 7 Cornerstone independently have access to several 8 market research firms. We picked this one because of 9 our high satisfaction with them in the past and 10 because they seem to be particularly good at this 11 type of survey. And of course I've had direct 12 contact with TRG as well. And then TRG uses the 13 panel as input data, the Toluna panel. 14 JUDGE STRICKLER: So you're independent of 15 both of these organizations? 16 THE WITNESS: Oh, that's correct, yeah. 17 Totally independent. 18 JUDGE STRICKLER: Thank you. 19 BY MS. ABLIN: 20 Q. Professor Hanssens, let me direct you to Page 6 21 now with your demonstrative binder. 22 And who was the target population, first of 23 all? 24 A. The target population is described there. 25 We're talking of course about U.S. residents for</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3818	3820
<p>1 starters. And we wanted to have individuals who have</p> <p>2 at least a reasonable familiarity with the service</p> <p>3 being provided here. And we defined that as</p> <p>4 listening to a radio simulcast for at least one her</p> <p>5 per week.</p> <p>6 We sampled all ages from age 16 on. The 16 is</p> <p>7 determined by the need for parental consent below 16,</p> <p>8 which we don't need from 16 on.</p> <p>9 And prior to designing the survey, I asked for</p> <p>10 some documentation on prior surveys that would help</p> <p>11 me understand what are the attributes that people</p> <p>12 value in the context here we're talking about and so</p> <p>13 that I was able -- so that I would be able to get</p> <p>14 some sort of a demographic profile that's relevant</p> <p>15 here. And that is mentioned there along the typical</p> <p>16 demographic characteristics.</p> <p>17 And all of that resulted in an initially much</p> <p>18 larger sample that, by the time we had put in all the</p> <p>19 filters, we were down to just under 500 respondents.</p> <p>20 Q. And what did you do to determine whether</p> <p>21 respondents qualified for your survey?</p> <p>22 A. Yes. Well, the first -- it's basically through</p> <p>23 a set of screening questions that are at the very</p> <p>24 beginning of the survey.</p> <p>25 So, for example, I believe approximately -- the</p>	<p>1 out, do they receive the same incentive as those who</p> <p>2 remain in the survey?</p> <p>3 THE WITNESS: I'm not a hundred percent</p> <p>4 sure of that. The -- since that's done very</p> <p>5 quickly -- because literally the first few questions</p> <p>6 is thank you very much, and that's it -- I doubt it.</p> <p>7 But, you see, the incentive mechanism is</p> <p>8 based upon how long and how complex the survey is.</p> <p>9 My presumption is that, if somebody doesn't qualify,</p> <p>10 that there wouldn't be an award. I can't rule out</p> <p>11 that there was some minimal award. That's possible.</p> <p>12 BY MS. ABLIN:</p> <p>13 Q. Professor Hanssens, if you could turn to Page 7</p> <p>14 of your demonstrative binder.</p> <p>15 A. Yes.</p> <p>16 Q. And does this page reflect the question that</p> <p>17 you designed to fulfill your assignment in this</p> <p>18 matter?</p> <p>19 A. Yes. As it says there, this was the key survey</p> <p>20 question commensurate with what I was being asked to</p> <p>21 do here. Yes.</p> <p>22 Q. Okay. And what type of survey did you decide</p> <p>23 to use to evaluate the question you were looking at?</p> <p>24 A. Yes. Well, since we need a quantitative</p> <p>25 answer, we need a percentage, I decided to use a</p>
3819	3821
<p>1 details are in the report, but approximately 33,000</p> <p>2 people were contacted, and just under 6,000, about</p> <p>3 15 percent or so, responded. So we have a good</p> <p>4 response rate initially of 15 percent.</p> <p>5 But then as it turns out, many people --</p> <p>6 because, see, at this point they don't know what the</p> <p>7 survey is about, and they actually get disqualified</p> <p>8 as soon as we ask that question about, "How often do</p> <p>9 you listen to a radio simulcast?" So we lost a lot</p> <p>10 of people because they're simply not in that target</p> <p>11 market. So that's a screener.</p> <p>12 Then, of course, there are screening questions</p> <p>13 on the other variables, such as age and other</p> <p>14 characteristics. People were also screened out if</p> <p>15 they did not show a good faith effort in the sense</p> <p>16 that they didn't answer some questions or some</p> <p>17 answers were nonsensical or that would come up with</p> <p>18 fake names, et cetera. So the people with very low</p> <p>19 involvement, I would say.</p> <p>20 And so those were various, you know, quality</p> <p>21 controls in such a way that, when we finally have the</p> <p>22 set of final respondents, that we are comfortable</p> <p>23 that we have exactly the profile that we're looking</p> <p>24 for.</p> <p>25 JUDGE FEDER: Do the ones who are screened</p>	<p>1 constant sum framework. And just for clarification,</p> <p>2 constant sum scaling is very common in market</p> <p>3 research.</p> <p>4 The method's very simple. You are given a</p> <p>5 hundred hypothetical points and -- along with some</p> <p>6 attributes that deliver value. And you are simply</p> <p>7 asked to allocate points commensurate with how much</p> <p>8 value you feel you perceive from that attribute.</p> <p>9 And so it is simple. It is easy to understand.</p> <p>10 And, of course, in execution of that, you have to be</p> <p>11 careful about certain things.</p> <p>12 For example, you know, you can't use too many</p> <p>13 categories. Very hard for people to determine the</p> <p>14 difference between let's say 2 percent or 3 percent</p> <p>15 value. So we keep the number of categories very</p> <p>16 reasonable. And we make sure that these categories</p> <p>17 are well understood, that they're simple and that</p> <p>18 they are meaningful.</p> <p>19 Q. And why did you choose a constant sum survey as</p> <p>20 opposed to an alternative survey approach?</p> <p>21 A. Well, yes. I considered a few alternatives.</p> <p>22 For example, you could do something along these lines</p> <p>23 with open-ended questions, just asked by way previous</p> <p>24 surveys have done, very open-ended. You could also</p> <p>25 run a conjoint method or conjoint application.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3822	3824
<p>1 But after thinking this through and what the 2 objective was here, I felt that these other methods 3 wouldn't answer the question at hand. And so they're 4 fine methods. But for what we're trying to do here, 5 you really need something along the lines of constant 6 sum. 7 JUDGE STRICKLER: Why did you think a 8 conjoint method would not be appropriate? 9 THE WITNESS: Well, there's a couple of 10 reasons for that. First of all, there are no prices 11 here. We're talking about -- conjoint asks people to 12 make tradeoffs. Many of these tradeoffs involve 13 prices, getting to the notion of willingness to pay. 14 In other words, there are switching costs. 15 There are basically no switching costs 16 here other than maybe pushing one button versus 17 another. And so for that reason, there isn't really 18 the strong notion of tradeoff here that you have in 19 other surveys. 20 Secondly, conjoint would be more complex. 21 It would be more time consuming. And most of all, 22 quite frankly, we're not really asking the people to 23 make choices here because the choices have already 24 been made. 25 We already know that a listener listens at</p>	<p>1 so forth. So my own paying attention really helped. 2 And then I also saw some documentation from 3 broadcasters who basically wrote about why they offer 4 services other than music. Why do they have disc 5 jockeys, et cetera, and how important is it to them. 6 So from these combined sources, I was able to 7 produce a list that you see there. And again, a 8 major consideration here, it has to be simple. It 9 cannot pass 27 different attributes. 10 So we combined some attributes that are really 11 easily understood. For example, in a news, traffic 12 and weather I think logically belong together. And 13 when he we did the pretest, people didn't have any 14 problems with that. Same thing for the other 15 categories in such a way that we really have only 16 five other than music. 17 And then, of course, because we can never be 18 sure -- or I can never be sure that I have captured 19 all elements, I allowed for an "all other," it says 20 there. 21 And then finally and importantly, if a 22 respondent, even though he or she qualifies, is just 23 simply not comfortable putting these weights down, 24 we're not going to force them. We just say it's okay 25 to not know or to not be sure. And we have a</p>
3823	3825
<p>1 least one hour per week and meets the other hurdle. 2 Now the question is we're not asking that person to 3 make choices; we're just asking that person to 4 reflect on what delivers value. 5 And because that's not really a choice 6 question or a tradeoff question, the constant sum is 7 appropriate. 8 JUDGE STRICKLER: Thank you. 9 BY MS. ABLIN: 10 Q. Let's talk about the programming -- programatic 11 elements that are reflected in your key question. 12 How did you decide which pragmatic elements to 13 include in this question? 14 A. Yes. Well, when I was first contacted and made 15 aware of this possible assignment, I asked for 16 background documentation. I wanted to see possibly 17 other surveys that have helped me understand what it 18 is about radio simulcast -- and again, the narrow 19 definition that I have here -- that people value. 20 And I got that. I've seen several prior surveys. So 21 that gave me kind of a shopping list of attributes. 22 Since I am a simulcast listener myself, I 23 started to pay particular attention to the commercial 24 programs and pay attention to what are they doing, 25 you know, switch from a DJ to a contest or an ad and</p>	<p>1 category for that as well. 2 So that's what determines the list. 3 JUDGE STRICKLER: Professor, were 4 individuals permitted to assign the same value to 5 different categories? 6 THE WITNESS: Sure. The only condition 7 was obviously percentages have to be either zero or 8 greater than zero. They have to sum to 100. And 9 when somebody left an entry blank, that was assumed 10 to be zero. 11 But the software is written in such a way 12 that the respondent cannot continue the survey unless 13 the sum of the weights equals exactly 100. 14 JUDGE STRICKLER: Do you have occasion 15 where some of the survey respondents had a value that 16 did not add up to 100? 17 THE WITNESS: In the end, no, because the 18 software wouldn't let them. I cannot rule out that 19 somebody in the process got frustrated that he or she 20 couldn't add to 100 and dropped the survey. And then 21 that would be a nonrespondent. I can't rule that 22 out. But I have no evidence that that was a problem. 23 JUDGE STRICKLER: If someone fills in 24 their values and they came up to 90, did the software 25 instruct them to go back and do it again until they</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3826	<p>1 got to a hundred?</p> <p>2 THE WITNESS: That's exactly right.</p> <p>3 JUDGE STRICKLER: Okay.</p> <p>4 BY MS. ABLIN:</p> <p>5 Q. And looking at your question there, why did you</p> <p>6 ask respondents specifically about the radio station</p> <p>7 simulcast that they listened to the most?</p> <p>8 A. Oh, yes. That indeed was a question we asked</p> <p>9 just prior to the key question here. And the</p> <p>10 reason's as follows.</p> <p>11 While I can't prove this, as a researcher, I</p> <p>12 have to allow for the possibility that a given</p> <p>13 individual has more than one set of weights. You may</p> <p>14 have one type of radio station for which you value</p> <p>15 one element more versus another.</p> <p>16 Given that possibility, to ask people to</p> <p>17 average across radio stations is going produce</p> <p>18 answers that I think are of lower quality. And the</p> <p>19 task also becomes mentally more difficult.</p> <p>20 So we prime the consumer or the respondent</p> <p>21 instead of, "Just think about your favorite station.</p> <p>22 We're just going to ask a question about your</p> <p>23 favorite station." And that makes the task much</p> <p>24 easier. And I have all reason to believe that that</p> <p>25 makes the results much more reliable than otherwise.</p>	3828	<p>1 survey research.</p> <p>2 And you see some examples there. For example,</p> <p>3 we know that there sometimes is order bias. Let's</p> <p>4 say between five alternatives, A, B, C, D, if you</p> <p>5 always put A before B, you might bias the results.</p> <p>6 So those orders were randomized.</p> <p>7 Likewise, very important, never force somebody</p> <p>8 to answer. Allow the "I don't know" or "I'm not</p> <p>9 sure" category.</p> <p>10 Simple language. You know, for example, my</p> <p>11 report talks about music-formatted station. But we</p> <p>12 didn't tell the respondent that. We said "stations</p> <p>13 that play music." Okay. That's simple English. And</p> <p>14 we kept on repeating that.</p> <p>15 And of course there is instruction that we're</p> <p>16 talking about the Internet. I've already talked</p> <p>17 about the limited number of choices in the constant</p> <p>18 sum.</p> <p>19 An importantly, we pretested to make sure that</p> <p>20 the survey -- that the questions were well</p> <p>21 understood, that people could answer in a reasonable</p> <p>22 amount of time; and therefore, quality of the answers</p> <p>23 will be good.</p> <p>24 JUDGE STRICKLER: Professor, the first</p> <p>25 step you took was to make sure the order of answer</p>
3827	<p>1 JUDGE STRICKLER: So you didn't ask them</p> <p>2 to think of their favorite music station; you just</p> <p>3 asked them to think of their favorite station and</p> <p>4 then the attributes?</p> <p>5 THE WITNESS: Yeah. Careful. I have to</p> <p>6 -- we continuously repeated this because it's a very</p> <p>7 important point. It's about simulcast radio or radio</p> <p>8 simulcast of terrestrial AM/FM, it has to be</p> <p>9 commercial, has to be U.S.-based, and of course you</p> <p>10 listen to it over the Internet. Oh, and I forgot to</p> <p>11 say and the station plays music. Okay?</p> <p>12 That's the very, very specific -- let's</p> <p>13 say, you know, perimeter of the survey.</p> <p>14 BY MS. ABLIN:</p> <p>15 Q. If you could turn to Page 8 now in your</p> <p>16 demonstrative binder.</p> <p>17 And in designing your survey questions, the</p> <p>18 questions themselves, what did you do to ensure that</p> <p>19 the results you received were reliable?</p> <p>20 A. Well, what I did -- and as I always do in</p> <p>21 surveys, or as one should do, there are a number of</p> <p>22 quality control elements in survey research. And</p> <p>23 they're described, for example -- described in my</p> <p>24 report. They come from, among other sources, the</p> <p>25 Diamond source on the standard reference manual for</p>	3829	<p>1 choices was randomized.</p> <p>2 Is that always required?</p> <p>3 THE WITNESS: Well, it is if you have --</p> <p>4 if you have multiple categories. So it wouldn't be</p> <p>5 the case for open-ended questions. Because in</p> <p>6 open-ended you just write in whatever you like.</p> <p>7 Okay?</p> <p>8 But if it is a categorical question, such</p> <p>9 as in this case, you know, music, disc jockey, news,</p> <p>10 let's say, these three, you really have to randomize</p> <p>11 them.</p> <p>12 There is a tendency to bias either in</p> <p>13 front of maybe the first or the last. And we don't</p> <p>14 want the results to be dependent on that. So that is</p> <p>15 good practice, yes.</p> <p>16 JUDGE STRICKLER: Just follow up for a</p> <p>17 second.</p> <p>18 When you say there's a possibility of bias</p> <p>19 with the constant first or last, what do you mean by</p> <p>20 that?</p> <p>21 THE WITNESS: Well, what I mean by that is</p> <p>22 that -- there's research in psychology for that.</p> <p>23 First of all, the first element, if it's always the</p> <p>24 same -- if the same category is always mentioned</p> <p>25 first, you may -- I'm not saying you will, but you</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3830	<p>1 may, as a respondent -- it's called a demand</p> <p>2 factor -- get the impression that that really is the</p> <p>3 most important one, okay, because it's put first.</p> <p>4 JUDGE STRICKLER: What about a choice</p> <p>5 that's put last?</p> <p>6 THE WITNESS: Okay. And the last is the</p> <p>7 so-called recency effect. If you read the page from</p> <p>8 top to bottom, the last one is the last one you see.</p> <p>9 And likewise, there is sometimes a bit of a tendency</p> <p>10 to look at the last because it's the most recent.</p> <p>11 And we just don't want to have to worry</p> <p>12 about that. So we randomize.</p> <p>13 JUDGE STRICKLER: And does that recency</p> <p>14 effect become more or less of a problem if the survey</p> <p>15 is online versus oral, telephone.</p> <p>16 THE WITNESS: Let me think a little bit</p> <p>17 about this. I would say it is stronger in a</p> <p>18 telephone interview because you need to memorize. If</p> <p>19 somebody gives you five categories on the phone, you</p> <p>20 need to memorize them; whereas, here you can look at</p> <p>21 the page for as long as you like.</p> <p>22 So I would expect it to be a worse problem</p> <p>23 in telephone interview or in in-person interviews.</p> <p>24 JUDGE STRICKLER: Thank you.</p> <p>25 BY MS. ABLIN:</p>	3832	<p>1 was the question -- I believe it was on "How many</p> <p>2 hours a week do you listen to your favorite station?"</p> <p>3 We had previously asked, "How many hours do you</p> <p>4 listen overall?" And there were few cases where the</p> <p>5 second number was higher than the first number.</p> <p>6 So, in order to help people along, in case they</p> <p>7 had a little memory lapse here, we formulated the</p> <p>8 second question as a percent. So that fixed it.</p> <p>9 So the pretest was actually doing exactly what</p> <p>10 it's supposed to do. It is pointing out potential --</p> <p>11 admittedly minor, but still potential minor areas</p> <p>12 that can be improved upon.</p> <p>13 Q. Please now briefly walk us through the</p> <p>14 implementation of your survey.</p> <p>15 A. Okay. Well, the survey was -- most of our work</p> <p>16 was in January. And we were ready in early February.</p> <p>17 And it took about a week to get to a sample size that</p> <p>18 I was comfortable with.</p> <p>19 And then after that and very quickly after</p> <p>20 that, there was a validation run, which is done by</p> <p>21 Toluna. In other words, they contact people to -- on</p> <p>22 the phone to make sure that they're the ones who</p> <p>23 completed the survey.</p> <p>24 And then the rest was all the analysis part,</p> <p>25 which I have already talked about. So basically the</p>
3831	<p>1 Q. Professor Hanssens, one of the slides -- one of</p> <p>2 the bullets on the slide we're looking at mentions</p> <p>3 pretesting.</p> <p>4 Did you change anything in your survey as a</p> <p>5 result of pretesting that you did?</p> <p>6 A. Yes. Okay. So in other words, yes, I</p> <p>7 understood the question.</p> <p>8 I -- the pretesting has two parts. The first</p> <p>9 is a qualitative part where you test the survey</p> <p>10 qualitatively on people around you. And TRG did</p> <p>11 that, and Cornerstone did that, and I did that</p> <p>12 independently.</p> <p>13 And then we get on the phone, and we say, "Any</p> <p>14 problems with the questions? Anybody indicate</p> <p>15 hesitation over meaning, et cetera?" And that's --</p> <p>16 it's a qualitative part, but it's important. That's</p> <p>17 step one.</p> <p>18 Then we go ahead and design the instrument and</p> <p>19 administer it to some reasonable, you know, pretest</p> <p>20 sample. And we want to ensure that everything is</p> <p>21 being answered according to plan within a reasonable</p> <p>22 amount of time.</p> <p>23 If I recall correctly, there is one question</p> <p>24 that we subsequently slightly changed because we</p> <p>25 could improve the quality of the answer. And that</p>	3833	<p>1 statistical analysis of the constant sum results.</p> <p>2 Q. And do you believe that your response and</p> <p>3 completion rates, as well as your sample size, were</p> <p>4 reliable numbers?</p> <p>5 A. I'm very happy with these results. I have</p> <p>6 checked -- well, and I knew that, in fact, ahead of</p> <p>7 time what to expect. The 15 percent response rate is</p> <p>8 actually on the high side for this type of survey.</p> <p>9 As I mentioned, we lost a lot of people</p> <p>10 because, even though demographically they may be</p> <p>11 fine, they're just not in the target market for radio</p> <p>12 simulcast.</p> <p>13 We had the usual number of people who then,</p> <p>14 once they found out what it was about, they weren't</p> <p>15 really interested, so they self-terminated.</p> <p>16 But the completion rate is over 80 percent.</p> <p>17 And then -- and I'm really quite happy with that.</p> <p>18 And, of course, my ultimate sample size of 468 allows</p> <p>19 me to make meaningful statistical inference.</p> <p>20 Q. If you'd please take a look at Page 9 in your</p> <p>21 demonstrative binder.</p> <p>22 A. Yes.</p> <p>23 Q. Does this demonstrative depict the results of</p> <p>24 your survey?</p> <p>25 A. Yes, it does.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3834	3836
<p>1 Q. And could you tell us a little bit about those 2 results? 3 A. Well, there are several numbers on this 4 particular page. And I don't need to review all of 5 them. But let me just focus on the important ones. 6 You see there the one surrounded by red -- in 7 red there's a 57.2, which I've rounded off to 57. 8 That's sort of the key number, if you wish, that I 9 was asked to produce. And I've previously defined 10 what that 57 means. 11 It had a high standard deviation. So in other 12 words, people vary a lot in their individual value 13 assignments to these components. They definitely do. 14 But I am being asked to produce an average 15 here. And in terms of the average, the 57 is a 16 fairly stable number with a confidence interval that, 17 as it says there, is somewhere between 54 and 60. 18 I'm happy to elaborate on the other numbers. 19 They show you the relative weights of the other 20 components, and you see even a few people in the "all 21 other." 22 But on the whole then, the important takeaway 23 is that the nonmusic elements of these kinds of 24 services compose or take about 43 percent of the 25 total value.</p>	<p>1 fact, a lot of these radio listeners, terrestrial and 2 simulcast, talk about how much they enjoy the 3 discovery part of these kinds of services. And there 4 may be other components as well. 5 So all this to say is that, because music has 6 these subcomponents, the 57 percent, when it comes to 7 look at -- looking at sound recordings, that's really 8 the upper limits. The true number is probably 9 somewhere below 57 percent. As I say, there is 10 likely lower than the number reported. 11 MS. ABLIN: Thank you very much, Professor 12 Hanssens. 13 THE WITNESS: Thank you. 14 MS. LEMOINE: Your Honors, I have no 15 binder for you. 16 CHIEF JUDGE BARNETT: Thank you, 17 Ms. LeMoine. 18 MS. LEMOINE: You are welcome. I knew 19 that that would go over well. 20 CROSS-EXAMINATION BY COUNSEL FOR SOUNDEXCHANGE 21 BY MS. LEMOINE: 22 Q. Good afternoon, Mr. Hanssens. 23 A. Good afternoon. 24 Q. Sorry. Dr. Hanssens. Good afternoon. 25 My name is Mindy LeMoine. I'm a lawyer for</p>
3835	3837
<p>1 Q. And finally, if you could take a look at Page 2 10 of your demonstrative binder. 3 A. Yes. 4 Q. And tell us about any -- all of the conclusions 5 that you were able to draw as a result of conducting 6 this survey. 7 A. Yes. Well, in the first two, of course, I've 8 already said I had a qualitative level. In simulcast 9 radio, as I defined earlier, music is not the only 10 source of value. That's quite clear. 11 Secondly, we have reliable estimates of the 12 magnitude of the value. And it hovers around 57 13 percent with the confidence interval that's stated 14 there. Therefore, the other components take up about 15 43 percent. 16 And finally, music here, which is the 57 17 percent component, had several sort of subcomponents 18 to it. One of them is, of course, the sound 19 recording, what the listener hears. 20 But then of course, you know, one can 21 conceivably assign some value to whoever composed the 22 music. So that's the second component. 23 And then also, since this is radio, somebody 24 else besides the listener decided on what to play. 25 So the selection is another source of value. And, in</p>	<p>1 SoundExchange in this proceeding. I met you right 2 before lunch. 3 A. Yes. 4 Q. Nice to see you again. 5 Dr. Hanssens, your survey and your testimony 6 focuses on online listening to simulcast radio 7 stations; is that right? 8 A. That play music. 9 Q. Yes. That play music. 10 And you -- your testimony said you understand, 11 for the purposes of what you're testing, okay, a 12 simulcaster refer to content that's essentially 13 identical whether listened to via a traditional AM/FM 14 receiver or via the Internet; is that right? 15 A. The content is, that I'm aware of generally, 16 identical, yes. 17 Q. So that's what you were testing. 18 A. Correct. 19 Q. So your testimony -- you don't propose a rate 20 structure for the panel to adopt in this proceeding? 21 A. I have not been asked to do that. 22 Q. And you don't propose particular rates for any 23 services in this proceeding? 24 A. I have not been asked to do that. 25 Q. So we talked a little about the population that</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3838	<p>1 you sought to survey. And let me see if I get all 2 the elements in there. 3 People who listen to U.S.-based, commercial, 4 AM/FM, music-formatted radio stations over the 5 Internet, right? 6 A. Yes. 7 Q. Okay. And you identified the demographics of 8 your population based on the demographics of 9 iHeartRadio listeners, right? 10 A. Well, I wanted to get a comparison base other 11 than the general U.S. population. So I looked into 12 the documentation that I had asked for, and I found a 13 couple of sources that were very helpful. And they 14 both refer to iHeart. Correct. One was done by 15 Sony, and one was done by NPD. 16 Q. Right. 17 But just to be clear, you don't know whether 18 the people in your panel were iHeartRadio listeners, 19 but you used the demographics that you found were 20 attributed to iHeart listeners, correct? 21 A. That is correct. 22 Q. Okay. Now, as to the key question that you 23 identify as the key question in your testimony and 24 that you just went over with Ms. Ablin, you asked 25 about only the one AM/FM station that respondents</p>	3840	<p>1 referring to. But I don't need to know that. 2 Q. Right. 3 But radio stations are different? 4 A. Well, yes. Their styles are different. 5 Q. So if I knew what those situations were that 6 people were talking about, I could determine and 7 analyze whether they have the same relative mix of 8 music and nonmusic contents, couldn't I? 9 A. Are you talking about on the supply side now? 10 So in other words about whether -- I agree with you 11 that radio stations are different. 12 Are you talking about what -- the relative mix 13 of programming elements that they provide? 14 Q. That's right. 15 A. Okay. Well, I agree with you that there will 16 be differences. But I am not sure why this is 17 relevant here for a very simple reason. 18 If a station produces programming elements that 19 a listener does not like, then that listener will go 20 to another station that he or she does like. 21 And that is the -- and since I'm asked to 22 produce an average, not really -- nobody asked me to 23 do the weights for rock music, for example, or for 24 classical music. I was not asked to do that. I need 25 to produce an average. So as long as I have their</p>
3839	<p>1 listened to the most, right? 2 A. Yes. 3 Q. But you did not ask the respondents to identify 4 that station, did you? 5 A. Well, no. In other words, you mean identify it 6 on the dial? No. 7 Q. So if we had that information, we would be able 8 to sort of get a better sense of whether the 9 respondents understood your survey, right? 10 A. I don't see why -- I don't understand why that 11 would be the case. 12 Q. Well, you asked about all of those elements of 13 a particular radio station, right? 14 A. Yes. 15 Q. Commercial, played music. 16 And so, if I had the actual stations that 17 people identified, I could determine whether they fit 18 all those characteristics, correct? 19 A. I'm really not following you. I'm sorry. 20 Because I understand, of course, just prior to the 21 main question, I asked about the favorite question. 22 So at this point, the respondent is focused. And 23 then I just asked about the weights. 24 Whether that's one station or another, at this 25 point the respondent already knows what he or she is</p>	3841	<p>1 favorite station, I'm fine. 2 Q. Okay. So -- but the relative mix of music and 3 nonmusic content in a particular station is important 4 to what you're looking at here, right? 5 A. You are really talking -- I'll make sure that I 6 understand your question. You're really talking 7 about the supply side, what's being offered to the 8 listener, correct? 9 The differences you're referring to refer to 10 the fact that Station A has a different mix than 11 Station B. And my point is -- first of all, you're 12 right. These are different. 13 But because I've already asked somebody to 14 refer to their favor station, and because the 15 question for me is what the -- does the consumer 16 value, not what does the broadcaster value, okay, I 17 don't need to know this. 18 Q. Right. 19 What I'm trying to determine is whether there's 20 a representative sample of radio stations in your 21 sample. 22 We don't know that, do we? 23 A. Well, why would there not be? 24 Q. Well, that's not my question. My question is 25 we don't know that.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3842	<p>1 A. Well, I didn't test for it.</p> <p>2 Q. So you had 468 respondents.</p> <p>3 A. Yes.</p> <p>4 Q. And we don't assume that they're listening to</p> <p>5 468 radio stations.</p> <p>6 A. We make no assumptions what their favorite</p> <p>7 stations are.</p> <p>8 Q. So, Dr. Hanssens, you tried to draft these</p> <p>9 questions so they were easy to understand, right?</p> <p>10 A. Yes.</p> <p>11 Q. All right. You chose particular words and</p> <p>12 phrases that were important to your questions.</p> <p>13 A. Yes.</p> <p>14 Q. And you agree that it's important in a survey</p> <p>15 to ensure that the words are not ambiguous?</p> <p>16 A. I agree.</p> <p>17 Q. So let me ask you about sort of the beginning</p> <p>18 of the key question that you asked, Question 5.</p> <p>19 Your Question 5 reads: "Now we would like to</p> <p>20 ask you about the value you get from the different</p> <p>21 features of that station's programming when you</p> <p>22 listen to that one station over the Internet."</p> <p>23 A. Okay. I'm reading a slightly different wording</p> <p>24 on this handout.</p> <p>25 Q. It actually was not included on these slides</p>	3844	<p>1 MS. ABLIN: Your Honor, the only thing in</p> <p>2 this binder that is restricted is, in fact, the</p> <p>3 iHeart demographic data behind Appendix 2 so anything</p> <p>4 else is fair game for public discussion.</p> <p>5 MS. LEMOINE: That is good news. I don't</p> <p>6 intend to go into the details of that demographic.</p> <p>7 BY MS. LEMOINE:</p> <p>8 Q. So what I want to ask you about is that phrase,</p> <p>9 "the value you get." You don't define anywhere what</p> <p>10 you mean by the phrase, "the value you get," from</p> <p>11 these relative features?</p> <p>12 A. It is plain English and it is not further</p> <p>13 defined. That's correct.</p> <p>14 Q. So the respondents' view of the value is what</p> <p>15 controls?</p> <p>16 A. It says value and then later it specified that</p> <p>17 it is relative value. You see that in the next</p> <p>18 paragraph.</p> <p>19 Q. But we don't know whether the respondents are</p> <p>20 all applying the same definition of value, do we?</p> <p>21 A. Well, okay. There are clearly differences</p> <p>22 across consumers in value determination, that is why</p> <p>23 my standard deviations are high, so agreed, but we</p> <p>24 have two anchor points. Everybody understands what</p> <p>25 no value means and everybody understands what all of</p>
3843	<p>1 that Ms. Ablin provided. But if you could look to</p> <p>2 your actual report.</p> <p>3 A. The screen shots?</p> <p>4 Q. Yes. And look to I think Appendix 3, the main</p> <p>5 questions. We can look there.</p> <p>6 And if you look at Question 5, it begins and</p> <p>7 focuses the listener on the one radio station we</p> <p>8 mentioned, right?</p> <p>9 A. One second, please. Okay. I -- I don't know.</p> <p>10 Sorry.</p> <p>11 Q. Okay. I'm at Tab 3, Page 2, of Appendix 3, the</p> <p>12 main questions.</p> <p>13 A. Okay. I'm there now.</p> <p>14 Q. All right. I'm asking about the second full</p> <p>15 paragraph there.</p> <p>16 A. Yes.</p> <p>17 Q. "Now we would like to ask you about the value</p> <p>18 you get from the different features of that station's</p> <p>19 programming when you listen to that one station over</p> <p>20 the Internet."</p> <p>21 CHIEF JUDGE BARNETT: Excuse me,</p> <p>22 Ms. LeMoine.</p> <p>23 Ms. Ablin, this is marked restricted.</p> <p>24 Is there anything about this that is</p> <p>25 confidential?</p>	3845	<p>1 the value means, so I have an anchor at zero and I</p> <p>2 have an anchor at a hundred, and that is consistent.</p> <p>3 Furthermore, in the pretests, we tested that</p> <p>4 very carefully, people are very comfortable with that</p> <p>5 question. They do understand the difference between</p> <p>6 the value, let's say, from a contest versus the disc</p> <p>7 jockey.</p> <p>8 Q. Let me ask you about the pretest now that you</p> <p>9 mentioned that.</p> <p>10 JUDGE STRICKLER: Before you go on to the</p> <p>11 pretests, I want to go back a couple of questions,</p> <p>12 Counsel is requesting.</p> <p>13 With regard to the question that the --</p> <p>14 basic key survey question asking the one radio</p> <p>15 station you listen to most, how does your survey</p> <p>16 avoid a problem where people may have listened to --</p> <p>17 who responded, might have disproportionately listened</p> <p>18 to a certain type of niche radio station, that is to</p> <p>19 say, maybe you got 90 to be extreme. 90 percent of</p> <p>20 your survey respondents are sports fans, ardent</p> <p>21 sports fans and they all listen to WFAN or the</p> <p>22 equivalent, and therefore they would put a very low</p> <p>23 value on music because that's the way it works. Is</p> <p>24 it your randomized sample that avoids that or</p> <p>25 something else?</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3846	<p>1 THE WITNESS: Well, it is first of all, a</p> <p>2 randomized sample and the fact that we are starting</p> <p>3 from a broad base of the U.S. population, 1.7</p> <p>4 million. Secondly, if -- let me take your sports</p> <p>5 example, if people's liking for sports information is</p> <p>6 so high that it totally dominates all others, they</p> <p>7 could easily listen to a sports station, and then</p> <p>8 they would be disqualified because there is a</p> <p>9 screener question that asked for the types of</p> <p>10 stations that they listen to and if the play music</p> <p>11 station is not in there, then the person is</p> <p>12 disqualified. So we have a check on that</p> <p>13 possibility, and other than that, that is sort of,</p> <p>14 you know, the beauty of randomized sampling that you</p> <p>15 get all kinds of people in there, and they average to</p> <p>16 the numbers that I have produced.</p> <p>17 JUDGE STRICKLER: Thank you.</p> <p>18 BY MS. LEMOINE:</p> <p>19 Q. So going back to my previous point, I want you</p> <p>20 to assume that we have two radio stations. All</p> <p>21 right?</p> <p>22 U.S. based commercial radio stations.</p> <p>23 A. Yes, over the Internet.</p> <p>24 Q. All right. One plays one song an hour, and one</p> <p>25 plays ten songs an hour. Now both of those stations</p>	3848	<p>1 valuation doesn't bother me. In fact, it is</p> <p>2 precisely what I want, because I want to recognize</p> <p>3 that there are differences across people as there are</p> <p>4 differences across stations, and free market system</p> <p>5 produces an opportunity to match up the supply side,</p> <p>6 what is being offered with consumer's valuation. The</p> <p>7 only assumption I'm making here is the standard</p> <p>8 assumption in consumer's choice theory, and that is</p> <p>9 that people maximize their utility. In other words,</p> <p>10 people do not deliberately punish themselves, they</p> <p>11 try to do things that they enjoy.</p> <p>12 Q. But I have already -- it's important that there</p> <p>13 is a value implicit in making the choice between the</p> <p>14 ten song station and the one song station. It is not</p> <p>15 necessarily reflected in your test.</p> <p>16 A. Well, but I am not asking questions about the</p> <p>17 one song station versus the ten song station. Okay.</p> <p>18 I am taking a large subsample of people and I'm</p> <p>19 asking them for their valuations and I am reporting</p> <p>20 on those percentages. And that is what I was asked</p> <p>21 to do.</p> <p>22 Q. So the respondents gave an average value of</p> <p>23 5.6 percent to advertising, correct?</p> <p>24 A. Yes.</p> <p>25 Q. And we don't know what kind of value, based on</p>
3847	<p>1 play music, right?</p> <p>2 A. Yes.</p> <p>3 Q. So what is the relative -- doesn't that differ</p> <p>4 -- is that different from the user's perspective,</p> <p>5 not the supply side, but what the user is</p> <p>6 experiencing?</p> <p>7 A. Yeah, but you see, you are describing -- I'm</p> <p>8 going to assume that your two examples are realistic.</p> <p>9 You are describing the choices that people have</p> <p>10 across stations. If I am somebody who likes more</p> <p>11 music, then I will favor that second one, the one</p> <p>12 with the ten songs per hour. Ten is what you said,</p> <p>13 right?</p> <p>14 I think you had one versus ten.</p> <p>15 Q. Yes.</p> <p>16 A. And again, I am not asking people to make</p> <p>17 choices among alternatives. They've already made the</p> <p>18 choice. We already know that they need to focus on</p> <p>19 their favorite station, and yes, if that favorite</p> <p>20 station plays much more music than any other station,</p> <p>21 but not a hundred percent or we would be in a</p> <p>22 different category, then that particular consumer</p> <p>23 would probably answer in that direction. Somebody</p> <p>24 else will answer in a different direction.</p> <p>25 The fact that people are different in their</p>	3849	<p>1 your questions, those respondents believed was</p> <p>2 attributable to advertising, do we?</p> <p>3 A. Yes, we do. That is what that 5.6 percent is.</p> <p>4 Q. 5.6 percent means the entertainment value for</p> <p>5 advertising?</p> <p>6 A. Yes, and the information.</p> <p>7 Q. All of them?</p> <p>8 A. Sorry, what all of them mean?</p> <p>9 Q. All of the different meanings of the word value</p> <p>10 are noticed?</p> <p>11 A. Yes. Okay. Advertising provides admittedly</p> <p>12 different type of value then let's say music. And so</p> <p>13 the total, let's say the one hour program, for a</p> <p>14 given station, total value is composed of all these</p> <p>15 different components. I am asking consumers to</p> <p>16 allocate these points, in the constant sum gain or</p> <p>17 scale that I designed and I am getting a reasonable</p> <p>18 representation of that mix, and I do agree with you</p> <p>19 that it will vary across stations. Of course it</p> <p>20 will.</p> <p>21 Q. So we are talking about relative value.</p> <p>22 A. Yes.</p> <p>23 Q. But your Question 5 asked for the relative</p> <p>24 value of a feature -- of the features, but it doesn't</p> <p>25 address what that value is relative to, does it?</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3850	3852
<p>1 A. Well, okay. It is relative to the anchor 2 points, zero and a hundred. That is what constant 3 sum does. Because consumers find it easy to 4 understand what a hundred percent means. It means 5 everything, so for example, if I really only value 6 music and nothing else, I will go to an all music 7 station. Which would not be in my sample here 8 incidentally.</p> <p>9 But if I value other things, I will allocate my 10 time to whichever station delivers a mix that kind of 11 comports with what I enjoy, and that is what I am 12 capturing.</p> <p>13 JUDGE STRICKLER: In that regard, I asked 14 you before about whether or not you had people who 15 responded to the survey and had numbers less than a 16 hundred or you said more than a hundred too. You 17 said they would have been prompted by the software to 18 go back and do it again. How often did that happen?</p> <p>19 THE WITNESS: Not very often. We know 20 that because the response times are very reasonable 21 and people who struggled and took a lot of time were 22 cut off because we didn't allow anybody to take more 23 than 30 minutes to complete a survey. That is what 24 the pretest helps us with. People were very 25 comfortable, with a few exceptions which are the I</p>	<p>1 THE WITNESS: Yes.</p> <p>2 JUDGE STRICKLER: Could you explain your 3 answer?</p> <p>4 THE WITNESS: Well, it's because of my 5 anchor points, and because of the evidence from the 6 pretests. When we literally asked if we would give 7 them the task, and they are okay with answering it, 8 the anchor points are important. It's important that 9 people understand there is something on the radio 10 right now that gives me absolutely no value. Zero. 11 In other words, I would just as soon not have it. 12 Okay.</p> <p>13 And there is another part that gives me a 14 hundred percent of the value meaning I wish this 15 program or this station had only that, whatever that 16 is. And then the rest is in between. so my anchor 17 points are clearly defined, therefore, my value is 18 relative to the anchor points.</p> <p>19 JUDGE STRICKLER: No disutility -- no 20 negative numbers, but somebody could say Robin Thicke 21 of minus 20.</p> <p>22 MS. LEMOINE: Who would do that, Your 23 Honor?</p> <p>24 THE WITNESS: No. We have -- it's not a 25 disutility exercise. It is a utility exercise and</p>
3851	3853
<p>1 don't knows or I'm not sure, and we have a small 2 number of those.</p> <p>3 The ones who answered the questions felt 4 comfortable with the answers. We know that from the 5 pretest.</p> <p>6 JUDGE STRICKLER: You say very few, either 7 at the first cut who participated ended up -- summing 8 up less than a hundred or more than a hundred, can 9 you put any more meat on those bones? Do you know 10 what the percent was that had to go back and retake 11 the test?</p> <p>12 THE WITNESS: Well, yes. No, I'm afraid I 13 can't get that much detail, but I do know -- I 14 believe we had about 30 people so this is off memory. 15 I'm sorry, who answered I don't know or I'm not sure. 16 You can reasonably assume it's because whatever 17 mechanism they used, it just didn't do the job for 18 them. I don't know if that is because they couldn't 19 add the numbers to a hundred, or if they didn't want 20 to start the exercise to begin with. That, I do not 21 know.</p> <p>22 JUDGE STRICKLER: Does the fact that most 23 of the respondents did add up to 100 provide you with 24 any opinion as to whether or not they understood what 25 the phrase relative value meant?</p>	<p>1 incidentally, there is good literature on the notion 2 of consumer value and the notion, for example, some 3 interesting work that was done at MIT that people are 4 actually quite comfortable with relative value, and 5 more comfortable with relative value than with 6 absolute value.</p> <p>7 MS. LEMOINE: Just a couple more 8 questions.</p> <p>9 JUDGE FEDER: I have a question. Winding 10 back to the beginning of your presentation, we are 11 talking about U.S. based commercial AM FM music 12 formatted radio stations.</p> <p>13 THE WITNESS: Over the Internet.</p> <p>14 JUDGE FEDER: Over the Internet. I think 15 I heard you say in answer to the question a short 16 while ago, that an all music format would not be 17 included in the survey?</p> <p>18 THE WITNESS: Okay. I have to be -- by 19 the same token, I have to be a little bit careful 20 here. There is a screener question that asked for 21 the types of activities that people used, and let me 22 get the exact wording on that so that I can give you 23 an exact answer to your question. One minute, 24 please.</p> <p>25 There is a question in Appendix 4 on Page</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3854	3856
<p>1 9 that asks which of the following do you personally</p> <p>2 do in a typical week, and we expect -- we expect --</p> <p>3 people are allowed to check several categories there,</p> <p>4 but they have to check the first one which is the</p> <p>5 segment that we are talking about. In other words,</p> <p>6 the one that you just summarized.</p> <p>7 Then we go into these U.S. based AM FM</p> <p>8 radio stations over the Internet and then we ask,</p> <p>9 well, what types do you listen to, and what we want</p> <p>10 there is we want to see -- again, people are allowed</p> <p>11 to check several categories, that's fine, but they</p> <p>12 have to check the first one. Let's see what the</p> <p>13 first one says.</p> <p>14 Commercial stations that play music and</p> <p>15 then some examples, either with or without other</p> <p>16 programming. That is the specific category.</p> <p>17 So let's say that somebody only listens to</p> <p>18 NPR and checks only Box 2, even though there is music</p> <p>19 on NPR, that person will not be in the sample. And</p> <p>20 by the same token, all news, all talk, all sports, is</p> <p>21 also a disqualifier.</p> <p>22 JUDGE FEDER: But all music is not?</p> <p>23 THE WITNESS: All music, well, presumably</p> <p>24 with advertising, because it's commercial, would be</p> <p>25 fine so long as it is originating from terrestrial AM</p>	<p>1 established the behavior, okay. Then we asked people</p> <p>2 to focus and we let them pick freely, no answer --</p> <p>3 there is no answer that's wrong on their favorite</p> <p>4 station, the choices have already been made, and then</p> <p>5 we say, what do you value, but I did not do the</p> <p>6 reverse which is what you are asking about which is</p> <p>7 first ask about the value and then ask, what station</p> <p>8 did you pick.</p> <p>9 As I mentioned before, this is not a choice</p> <p>10 exercise. This is a relative value exercise.</p> <p>11 Q. So we don't know how the relative value ties in</p> <p>12 to the choices that a consumer would make?</p> <p>13 A. Well, we do, on the very simple premise that</p> <p>14 people act in their best interest. If they like rock</p> <p>15 music, they listen to rock music and not to classical</p> <p>16 and so forth. So that is a simple assumption we all</p> <p>17 make in consumer theory, because human behavior</p> <p>18 theory as well as in economics, that people maximize</p> <p>19 their utility.</p> <p>20 Q. We don't know, for example, based on these</p> <p>21 relative value results, whether someone would decide</p> <p>22 to listen or not to listen if there were no music at</p> <p>23 all?</p> <p>24 A. Let me think about this. So there is no music</p> <p>25 at all, do you mean anywhere? That is a sad country.</p>
3855	3857
<p>1 FM stations. That has to be the origin.</p> <p>2 JUDGE FEDER: Thank you.</p> <p>3 BY MS. LEMOINE:</p> <p>4 Q. So Dr. Hanssens, you could have asked -- we</p> <p>5 don't know anything about -- let me strike that.</p> <p>6 You did not test respondents whether -- whether</p> <p>7 and how respondents' relative value estimates</p> <p>8 affected their behavior with regard to listening, did</p> <p>9 you?</p> <p>10 A. Let me think about this for a minute. I was</p> <p>11 not asked to do that, so no.</p> <p>12 Q. So we don't know from your tests whether --</p> <p>13 strike that.</p> <p>14 You could have asked respondents, for instance,</p> <p>15 the relative value of these features to their</p> <p>16 decision to listen or to keep listening?</p> <p>17 A. Okay. All right. Couple of things. First of</p> <p>18 all, I have something in the other -- in the reverse</p> <p>19 order. In other words, before asking the weight</p> <p>20 question or the value question, I asked several</p> <p>21 questions about their typical listening behavior.</p> <p>22 So for example, is it in the morning or in the</p> <p>23 afternoon, is it in the car or at home, and how many</p> <p>24 hours per week and so forth, so we have -- and the</p> <p>25 music guide, so those we have. So first, we</p>	<p>1 Q. No, I mean the station has no music.</p> <p>2 A. Okay. But it is not in the sample. This would</p> <p>3 be all talk station.</p> <p>4 Q. Right. What I am saying is, you don't know</p> <p>5 based on someone having a valuation of music of 57</p> <p>6 percent, say, to 43 percent, whether they would</p> <p>7 decide to listen if that 57 percent was not present</p> <p>8 on the station?</p> <p>9 A. Ah. I don't know for every individual, but I</p> <p>10 do know about some individuals. In other words, the</p> <p>11 ones who place a hundred percent -- let's say that</p> <p>12 the alternative is all talk. The ones who place a</p> <p>13 hundred percent value on all talk, they will listen.</p> <p>14 The others that have less than a hundred percent on</p> <p>15 talk, may or may not.</p> <p>16 As I said, it is a strange hypothetical because</p> <p>17 I cannot imagine a world without music.</p> <p>18 Q. So how many people in your survey put some</p> <p>19 value for each element, do you recall?</p> <p>20 A. Well, I don't have that exact breakdown,</p> <p>21 although you and I would have the data so we can</p> <p>22 determine that, but you see some of that on Page 9</p> <p>23 with the percentiles. I can explain that if you</p> <p>24 would like me to.</p> <p>25 Q. It is 25 percent, right?</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3858	3860
<p>1 A. The 25 percentile, yes. So for example, let me 2 pick the news category. There are people who 3 definitely place no value at all on news. The 25 4 percentile for music is a valuation of 30. So 5 everybody -- well, maybe not everybody, but the 6 lowest percentile is assigned at least some value to 7 mean. That is not true for the other categories as 8 you see there.</p> <p>9 JUDGE STRICKLER: Professor, a question 10 just so I understand the ability, the extent to which 11 we can use your analysis. You have basically done a 12 ranking, so it is an ordinal value of utility, 13 ranking the preferences in the first, second, third, 14 fourth, plays like that, given relative weights, 15 correct?</p> <p>16 THE WITNESS: I did not ask to rank order. 17 It's an interesting question. Remember, that we 18 randomized the ordering? If it had been open-ended, 19 then it could have been rank order, because you may 20 have mentioned the most important thing first, et 21 cetera, but not really, we actually -- we actually 22 want people to assign these values which of course 23 result in a rank ordering, but the question was not a 24 rank ordering question. The question was a relative 25 value question and that is different.</p>	<p>1 line of questions.</p> <p>2 If a user reflected a 30 percent relative value 3 for music, that doesn't tell you whether that person 4 would continue listening if the station stopped 5 playing music, right?</p> <p>6 A. I'm thinking a minute. Okay. So if the 7 30 percent music -- now the station stops playing 8 music. And is this in a world with competition or 9 without competition?</p> <p>10 Q. Assume a world with competition.</p> <p>11 A. Well, then, the -- that particular listener 12 will get tired of his or her, quote, favorite station 13 and switch to something that has more music.</p> <p>14 Q. And you know that based on the 30 percent?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. So let me ask you about how you 17 reflected the conclusions of your study.</p> <p>18 So you say that music respondents gave it an 19 average value of 52.7 percent?</p> <p>20 A. Yes.</p> <p>21 Q. And the next highest relative value was a 22 relative value of 12.5 percent, right?</p> <p>23 A. Yes.</p> <p>24 Q. For news. Then the next was 12.2 percent?</p> <p>25 A. Averages, yes.</p>
3859	3861
<p>1 JUDGE STRICKLER: Within the zero to 2 100 --</p> <p>3 THE WITNESS: Correct.</p> <p>4 JUDGE STRICKLER: More specific ordinal 5 numbers in terms of percentages?</p> <p>6 THE WITNESS: Yes. Yes. And again, we're 7 talking about scaling properties here, because we 8 have the anchor points zero and 100, we really do 9 have something that is ratio scale data, certainly 10 integral scale data and very close if not perfect to 11 ratio scale data.</p> <p>12 JUDGE STRICKLER: We don't have these are 13 like -- sort of like difference squares from the way 14 for utility, maybe not exactly that, but you don't 15 have any budget lines going in -- so we don't know 16 how much people would actually pay through your study 17 because that wasn't the purpose of your study, how 18 much people would pay for these values?</p> <p>19 THE WITNESS: Everything is free radio 20 here, so I don't have any dollars or willingness to 21 pay. So you are right. Yeah.</p> <p>22 JUDGE STRICKLER: There is a follow-up 23 question to that. I'm not sure there is, maybe not.</p> <p>24 BY MS. LEMOINE:</p> <p>25 Q. Just to sort of close the loop on that last</p>	<p>1 Q. And then local events is 7.2?</p> <p>2 A. Agreed.</p> <p>3 Q. And advertisement is 5.6?</p> <p>4 A. Agreed.</p> <p>5 Q. So music was the most important piece of the 6 elements you surveyed, right?</p> <p>7 A. It -- as counted as a single category, it has 8 the highest share of value points.</p> <p>9 Q. By a sizable margin, right?</p> <p>10 A. Well, that depends on if you are contrasting to 11 one other program, I think element, so for example, 12 compared to contests, yes, but compared to all other 13 combined, well, it is 57, 43, so that is not really 14 hugely dominant.</p> <p>15 Q. But, in fact, music is nearly five times as 16 valuable as the second -- as anything else you 17 surveyed, any other individual elements?</p> <p>18 A. So the next highest is news at 12 and a half, 19 so the value points are a little bit less than four 20 times. I'm sorry. Five times.</p> <p>21 Q. But you add the non-music elements together, 22 the six non-music elements you listed?</p> <p>23 A. Yes.</p> <p>24 Q. And you consider that as a block?</p> <p>25 A. Well, it is called non-music.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

<p style="text-align: right;">3862</p> <p>1 Q. Right. So you could have asked respondents to 2 rank music and non-music, right? You give a relative 3 value of music and non-music. 4 A. I'm going to think about this for a minute. 5 Okay. Theoretically I could have done that. 6 In other words, one can ask a question as you just 7 proposed. I would view that as not as good a 8 representation of people's preferences for these 9 programs, for the simple reason that these other 10 categories do exist and that they are just -- news is 11 different from contests, for example. 12 I wanted consumers to be able to -- or 13 respondents to express themselves in that way. 14 Q. You can also have tested six different things 15 that were relevant to the music category you were 16 looking at and one non-music category, right? 17 A. Just a second. So is this question that I 18 decomposed music in six parts? 19 Q. Yes. 20 A. Can you give me an example of what that might 21 be? 22 Q. You used it in your report. I think. The 23 composition, the sound recording? 24 A. Yeah, okay. 25 Q. The placement. Different elements of the</p>	<p style="text-align: right;">3864</p> <p>1 second time on nine people, two out of nine had 2 problems. Say the question is not meaningful to me, 3 I don't know how to answer it. 4 Well, two out of nine is not too bad. Maybe 22 5 percent or so, but I did not want to go forward. It 6 did not meet my quality standards for subcategorizing 7 music and that is why my results are limited to what 8 you see. 9 Q. So what you have done though, is you said, I'm 10 going to give you options, six of which are not about 11 music and one of which is music, and I'm going to ask 12 you to distribute a hundred points based on their 13 relative value. 14 A. Yes. 15 Q. So we are looking at one weight on one side and 16 the cumulative -- the product of six on the other? 17 A. Yes. 18 Q. Does that seem biased to you? 19 A. No. Here is the reason why. The -- it will be 20 problematic if my other categories had been -- I'll 21 call it numerous, like 20 or so, which we could have 22 done. Okay. We want to keep it reasonable and you 23 know reasonable when everybody is okay with it in the 24 pretests. But look carefully at these other 25 categories.</p>
<p style="text-align: right;">3863</p> <p>1 music. 2 A. Yeah. I actually tried that. 3 Q. You tried that? 4 A. Yeah, I tried that. 5 Q. Okay. And you -- what were the results? 6 A. Here's what happens. Because of the 7 interesting sound recording, and I think I have 8 previously spoken about at least three of these 9 components, there may be more because you mentioned 10 six, we tried it and people have a hard time. We did 11 it twice. 12 The first time on 12 people and five out of 12 13 say, I can't do that. In other words, it is an 14 additional question that says now think about music. 15 What part of your music value comes from the 16 components. Well, the few answers that we did get do 17 show that there are components with nonzero value. 18 In other words, it is not all composition, it's 19 not all sound recording. There are multiple 20 components. That we know. But five out of 12 had a 21 problem. I immediately stopped that and say, I don't 22 want to appear before this panel here with such 23 results. So we did it again. 24 We reword it, try to make it a little bit 25 easier and this time, we got -- I think we tested the</p>	<p style="text-align: right;">3865</p> <p>1 There is a real difference between, for 2 example, disc jockeys and news. Those are 3 fundamentally different and therefore, if I lump them 4 together, I am asking people to compare apples and 5 oranges. But because they are different, A, and 6 because they are well understood, B, and because 7 there is not too many of them just five, I am able to 8 get reasonable answers, and as I have said earlier, 9 music -- I don't subcategorize in what type of music, 10 whether it is classical or rock because the user has 11 already made that decision because I have already 12 asked him to pick their favorite station, and in 13 terms of your other question about composition versus 14 sound recording, I tried and as I said, it is, at 15 least within this survey, it was simply too hard to 16 do. 17 Q. So you have asked people whether their favorite 18 station plays music, right? 19 A. Well, go back to the exact wording. Yes. 20 Q. Now does a radio station that plays music, is 21 that the same as a music formatted station in your 22 mind? 23 A. Okay. I realize that my report says music 24 formatted station. It's my understanding that for an 25 expert audience, like the people in this room, that</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3866	<p>1 is a term everybody understands. That is why the 2 report uses it, but I never use that term with my 3 audience which I cannot assume are experts. I just 4 said they play music with or without other things. 5 Q. So one song an hour, ten songs an hour, doesn't 6 matter? 7 A. Yeah. That's fine. 8 Q. All right. Let me ask you one last question 9 about your pretest. 10 You asked 12 people whether there were 11 questions that were unclear or hard to answer, right, 12 in your pretest? 13 A. Okay. I have to be a little bit careful there. 14 As I mentioned, there are different pretest, the big 15 quantitative pretest, which had many more people in 16 it that never saw that question, that question on 17 music decomposition. So that is a separate pretest. 18 It was before we went with the finally selected 19 survey that we did small sample testing on whether 20 all questions were well understood and that is when 21 we discovered the problem with the -- I'm just going 22 to call that the music decomposition question now, 23 but that didn't go any further than a test on 12 and 24 a test on 9. 25 Q. You just asked them, were any questions unclear</p>	3868	<p>1 is, but if we took 50 percent of the people on the 2 high end and 50 percent on the low end, we would 3 arrive at a weight of 60. So if we take 60 as the 4 answer, then we would be able to say, well, 50 5 percent of the people thought it was higher and 50 6 percent thought it was lower. 7 JUDGE STRICKLER: And then 60 for music, 8 for example? 9 THE WITNESS: Yes, I am using music. 10 JUDGE STRICKLER: As a median. 11 THE WITNESS: It is a median, yeah, and 12 the 25th percent, if you wanted to say, well, 13 three-quarters of the people value at least what in 14 music, and it is at least 30 percent, and therefore, 15 below 30 percent is only a quarter of the people, and 16 interestingly, some of these categories on the 25th 17 percentile are actually zero. 18 JUDGE STRICKLER: So because those are 19 percentiles and median, there is no reason why the 20 bottom all non-music categories combined should total 21 up? 22 THE WITNESS: That's correct. 23 JUDGE STRICKLER: Thank you. 24 REDIRECT EXAMINATION BY COUNSEL FOR NAB 25 BY MS. ABLIN:</p>
3867	<p>1 to you? 2 A. I forgot exactly how it was done. It is 3 actually simpler than that. It is giving people the 4 question. This is in person by the way. This is not 5 over the Internet and sitting with them and 6 observing, and people will just simply look at you 7 and say, I don't know how to deal with this. I can't 8 do this in my head. 9 When you hear that several times, you put a 10 stop to it because that just says this is really hard 11 to do. At least within the compounds of this survey. 12 MS. LEMOINE: Right. No further 13 questions. 14 JUDGE STRICKLER: I have a question for 15 you, Professor. 16 On your Demonstrative No. 9, which is your 17 results for the key question. 18 THE WITNESS: Yes. 19 JUDGE STRICKLER: Maybe this was asked and 20 answered and I apologize if I missed it, but the 21 three columns with percentiles, those percentiles 22 represent what? 23 THE WITNESS: The midpoint of 50th percent 24 that is the median. That is the easiest to 25 understand. Of course you understand what the mean</p>	3869	<p>1 Q. Just a couple of questions, Professor Hanssens. 2 Let me direct your attention to Appendix 4, 3 second to last page of the binder in front of you. 4 A. Page 16? 5 Q. Yes. So first of all, what was Appendix 4? 6 What is included there? 7 A. This is a screenshot. It is exactly what 8 people saw on their screen. 9 Q. And so can you just describe from here what 10 consumers -- particularly looking at the first 11 sentence, what were consumers told when they were 12 asked this Question 5 or key question? 13 A. Well, it is exactly as it reads there. First 14 of all, it announces the question, it makes sure that 15 you focus on your favorite station, and then once 16 again, it repeats that it has to be Internet and so 17 forth. And then it asks the value question, very 18 simple there. We would like to ask you about the 19 value you get from all these features. 20 And then it says, well, how are you going to do 21 that, where were you going to do that, by assigning a 22 weight, and what sort of a scale do I use? Well, no 23 value at all, it's zero, if all the value is a 24 hundred, and you put the points in between, see that, 25 and then people fill in the numbers.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3870	<p>1 Q. And when the respondents were asked this</p> <p>2 question and told to focus on commercial radio</p> <p>3 stations that play music, were they given any</p> <p>4 examples of what type of station that would include</p> <p>5 in this question?</p> <p>6 A. The examples are given there, yes. You can</p> <p>7 read them, pop, country, rock, et cetera.</p> <p>8 Q. So again, what were they?</p> <p>9 A. Well, I'm reading here. Such as pop, country,</p> <p>10 rock, urban and Christian music.</p> <p>11 Q. Did those all describe music intensive</p> <p>12 stations?</p> <p>13 A. Well, I don't claim to be that they are</p> <p>14 exhaustive, but they are certainly good examples.</p> <p>15 Q. Let me ask that a different way: Do those</p> <p>16 describe various genres of music?</p> <p>17 A. Of course.</p> <p>18 MS. ABLIN: Okay. Thank you.</p> <p>19 JUDGE FEDER: Just one quick question.</p> <p>20 Are Internet-based surveys generally considered as</p> <p>21 reliable as other survey methods, such as telephone</p> <p>22 surveys or in-person surveys.</p> <p>23 THE WITNESS: I would say that that</p> <p>24 depends largely on the nature of the survey and the</p> <p>25 objective of the survey.</p>	3872	<p>1 these surveys are considered to be reliable. If they</p> <p>2 are the right method for the right kind of survey.</p> <p>3 JUDGE FEDER: Thank you.</p> <p>4 MS. LEMOINE: No follow up.</p> <p>5 MS. ABLIN: No, Your Honor.</p> <p>6 CHIEF JUDGE BARNETT: Thank you,</p> <p>7 Dr. Hanssens.</p> <p>8 THE WITNESS: Thank you.</p> <p>9 CHIEF JUDGE BARNETT: You may be excused.</p> <p>10 MR. JOSEPH: Your Honors, NAB and Pandora</p> <p>11 call Dr. Steven Peterson if you are ready for it.</p> <p>12 CHIEF JUDGE BARNETT: This probably is a</p> <p>13 good time for us to take -- it is a little early for</p> <p>14 our recess but let's do that now, give you time to</p> <p>15 spread binders around.</p> <p>16 (A short recess was taken.)</p> <p>17 CHIEF JUDGE BARNETT: Please be seated</p> <p>18 except for the witness.</p> <p>19 STEVEN R. PETERSON, Ph.D.,</p> <p>20 being first duly sworn, to tell the truth, the whole</p> <p>21 truth and nothing but the truth, testified as</p> <p>22 follows:</p> <p>23 DIRECT EXAMINATION BY COUNSEL FOR NAB</p> <p>24 AND PANDORA</p> <p>25 BY MR. JOSEPH:</p> <p>1 Q. Good afternoon, Dr. Peterson.</p>
3871	<p>1 So for example, surveys that rely heavily</p> <p>2 on people's expertise, for example, surveys, let's</p> <p>3 say of medical doctors in a certain specialty, where</p> <p>4 the questions get very technical and the answers are</p> <p>5 not easily distinguishable from each other because of</p> <p>6 technical detail, those are best done in person, in a</p> <p>7 real conversation in other words. Or at least on the</p> <p>8 telephone.</p> <p>9 On the other hand, let me call that now</p> <p>10 relatively simple surveys, where you really draw your</p> <p>11 inference from the large numbers and from the fact</p> <p>12 that you need efficiency, and you need absence of</p> <p>13 coding, if at all possible, Internet works very well.</p> <p>14 It is -- it has become a medium that virtually</p> <p>15 everybody in the country has access to.</p> <p>16 Ten years ago, it might have been a</p> <p>17 problem because you would have been sampling from an</p> <p>18 audience that is not representative of the entire</p> <p>19 U.S. population, but nowadays, with the spread of the</p> <p>20 Internet, we don't have any problem there.</p> <p>21 So for that reason, and of course, the</p> <p>22 digital interface is wonderful because it avoids the</p> <p>23 kind of errors that you have with paper surveys where</p> <p>24 people are not sure whether one box was checked</p> <p>25 versus another box, so those are some reasons why</p>	3873	<p>1 A. Good afternoon.</p> <p>2 Q. Would you please introduce yourself and spell</p> <p>3 your last name so that we can distinguish you from</p> <p>4 the first witness that appeared here this morning?</p> <p>5 A. Yes. My name is Steven R. Peterson, and the</p> <p>6 last name is spelled P-E-T-E-R-S-O-N.</p> <p>7 Q. Please turn to Appendix A in the binder in</p> <p>8 front of you which is actually behind Tab NAB Exhibit</p> <p>9 4013.</p> <p>10 A. Yes.</p> <p>11 Q. Is that your CV?</p> <p>12 A. It is.</p> <p>13 Q. Is it still true and correct?</p> <p>14 A. Yes, it is.</p> <p>15 Q. Could you please briefly describe for the Court</p> <p>16 your educational background?</p> <p>17 A. Yes. I have a bachelor's degree in economics</p> <p>18 from the University of California at Davis and a</p> <p>19 Ph.D. in economics from Harvard University.</p> <p>20 Q. Your CV says you are an executive vice</p> <p>21 president at Compass Lexecon.</p> <p>22 Can you please tell the Court what you do at</p> <p>23 Compass Lexecon?</p> <p>24 A. I'm an economic consultant. I do applied</p> <p>25 economics research and studies for my clients. This</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3874	<p>1 is usually in the realm of litigation, regulation, 2 mergers, competition and antitrust work. I also do 3 class actions analysis, particularly in the antitrust 4 field and in antitrust suits and commercial disputes, 5 I regularly work on damages analysis -- analyses and 6 testify to damages. 7 Q. Have you served as an economic expert before in 8 litigation? 9 A. I have. 10 Q. In how many cases have you served as an 11 economic expert? 12 A. I have filed expert reports in about 18 13 matters. 14 Q. Have you previously served as an expert in 15 matters involving music licensing issues? 16 A. Yes. I recently testified on behalf of the 17 Radio Music License Committee in its litigation 18 against SESAC that involved whether SESAC had market 19 power in the market for the licensing of the 20 performance of musical works. I also recently filed 21 comments in the DOJ proceeding addressing whether or 22 not the consent decrees governing ASCAP and BMI 23 should be modified. 24 MR. JOSEPH: Your Honors, NAB and Pandora 25 offer Dr. Peterson as an expert in applied economics.</p>	3876	<p>1 evidence.) 2 BY MR. JOSEPH: 3 Q. Dr. Peterson, what was your assignment in this 4 matter? 5 A. My assignment was to review and analyze 6 Dr. Blackburn's direct testimony with regard to the 7 entry count and survival of Webcasters, and to 8 analyze also his analysis of promotion and 9 cannibalization. 10 Q. And did you have an assignment with respect to 11 Dr. McFadden? 12 A. Yes. I reviewed his survey and analysis of 13 that survey, estimating the willingness to pay for 14 the features of music services and evaluated whether 15 or not that information could be used to support 16 Dr. Rubinfeld's interactivity adjustment. 17 Q. I am going to ask you about some of your 18 conclusions here today, and I will leave the rest for 19 the written rebuttal testimony. 20 Let's talk first about Dr. Blackburn's 21 discussion of Webcaster entry, survival rates and 22 growth. 23 What were your main conclusions concerning 24 Dr. Blackburn's discussion of those issues? 25 A. Well, first, with regard to entry count,</p>
3875	<p>1 MR. POMERANTZ: No objection. 2 CHIEF JUDGE BARNETT: Dr. Peterson is so 3 qualified. 4 JUDGE STRICKLER: Can you hold on a 5 second. I just want to get something. 6 BY MR. JOSEPH: 7 Q. Dr. Peterson, did you submit written rebuttal 8 testimony in this proceeding? 9 A. I did. 10 Q. Is the document behind the tab labeled NAB 11 Exhibit 4013 a copy of that testimony? 12 A. Yes, it is. 13 Q. To the best of your knowledge, is the testimony 14 still true and correct? 15 A. Yes, it is. 16 Q. Please take a look at the back of the main 17 document before you get to Tab A. 18 Is that your declaration and signature? 19 A. It is. 20 MR. JOSEPH: Your Honors, we offer NAB 21 Exhibit 4013. 22 MR. POMERANTZ: No objection, Your Honor. 23 CHIEF JUDGE BARNETT: Exhibit 4013 is 24 admitted. 25 (NAB Exhibit No. 4013 was admitted into</p>	3877	<p>1 survival and so forth, I don't find that analysis to 2 be informative at all, because what it shows is that 3 there is some entry and that Webcasters that enter 4 survive for some period of time, but that would be 5 the case whether rates -- whether the rates that 6 those Webcasters pay for the performance of sound 7 recordings were set at monopoly levels or were set at 8 competitive levels. 9 So that analysis just doesn't tell us anything 10 informative about the rates that the Webcasters are 11 paying. 12 Q. Do you believe that Dr. Blackburn looked at the 13 right data for his analysis? 14 A. No. Dr. Blackburn looked at all of the 15 Webcasters together in his analysis, but the question 16 that we have is whether there is a difference in 17 performance of Webcasters when they pay different 18 rates, so when we look at Webcasters who are paying 19 rates that are at or near the CRB commercial rate, we 20 actually find different results. Particularly with 21 regard to survival, we find that the Webcasters 22 paying the higher rates survive at a significantly 23 lower rate or fail at a higher rate. 24 Q. And did you reanalyze Dr. Blackburn's data to 25 reach those conclusions?</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3878	3880
<p>1 A. I did.</p> <p>2 Q. In response to Dr. Blackburn's claim about</p> <p>3 Webcaster growth, did you analyze the growth of</p> <p>4 Webcasting to see how it related to the licensed fee</p> <p>5 rates being paid by different categories of</p> <p>6 Webcasters?</p> <p>7 A. I did.</p> <p>8 Q. Let me ask you to turn to the first</p> <p>9 demonstrative slide of the two that we handed out</p> <p>10 this afternoon.</p> <p>11 Would you please explain this figure to the</p> <p>12 Court?</p> <p>13 A. Yes. This is a figure from my report and what</p> <p>14 I did in this figure was calculate the payments to</p> <p>15 SoundExchange that would have been made had rates</p> <p>16 stayed at the 2007 level. So the changes in the</p> <p>17 levels of the lines on this chart are related to</p> <p>18 changes in the number of streams, not to changes in</p> <p>19 the rates.</p> <p>20 Q. And what do you conclude from the results that</p> <p>21 you see on Figure 5?</p> <p>22 A. Well, I mean, to summarize Dr. Blackburn's</p> <p>23 theory seems to be that rates really don't matter and</p> <p>24 are not choking off growth, but when we peel back the</p> <p>25 -- peel the union one layer on his analysis, what we</p>	<p>1 versus some other settlement rate?</p> <p>2 THE WITNESS: That's correct. So let me</p> <p>3 start over.</p> <p>4 I found that they didn't pay --that no</p> <p>5 investments were made in Webcast -- not into</p> <p>6 statutory Webcasters that pay at the statutory CRB</p> <p>7 rate.</p> <p>8 JUDGE STRICKLER: I don't want to jump</p> <p>9 ahead. Perhaps we will get into that in more detail,</p> <p>10 but when you say there was more investment made in</p> <p>11 noninteractives who were paid at the statutory rate</p> <p>12 compared to those who paid -- who paid at the</p> <p>13 settlement rate rather than at the statutory rate,</p> <p>14 assume that the rates -- the statutory rates have</p> <p>15 expiration dates.</p> <p>16 THE WITNESS: Yes.</p> <p>17 JUDGE STRICKLER: And the investments are</p> <p>18 investments that are anticipated to generate a return</p> <p>19 over a period of time longer than the statutory</p> <p>20 period. Would that be a fair statement?</p> <p>21 THE WITNESS: I think that is a fair</p> <p>22 statement.</p> <p>23 JUDGE STRICKLER: So wouldn't a prudent</p> <p>24 investor not necessarily be concerned solely with the</p> <p>25 existing rates that might otherwise expire rather</p>
3879	3881
<p>1 find is that the types of Webcasters that are paying</p> <p>2 higher rates have substantially less growth than</p> <p>3 other Webcasters.</p> <p>4 Q. Let me switch subjects to investment in</p> <p>5 Webcasting.</p> <p>6 Do you remember that Dr. Blackburn cites an</p> <p>7 article claiming that there was \$839 million invested</p> <p>8 in Webcasting and on-demand streaming in 2013?</p> <p>9 A. I do.</p> <p>10 Q. Did you review that article?</p> <p>11 A. I did.</p> <p>12 Q. What did you find?</p> <p>13 A. Well, I found that none of that amount of</p> <p>14 investment was invested in statutory noninteractive</p> <p>15 Webcasting.</p> <p>16 JUDGE STRICKLER: Where was it invested?</p> <p>17 THE WITNESS: Those amounts were invested,</p> <p>18 I think, in some video, online video, on-demand</p> <p>19 Webcasting. I'm sorry.</p> <p>20 And I should also add it was not invested</p> <p>21 in any of those that paid at commercial rates. So I</p> <p>22 misspoke. Apologies.</p> <p>23 JUDGE STRICKLER: In that last regard, you</p> <p>24 are speaking of distinguishing between</p> <p>25 noninteractives that paid at the commercial rate</p>	<p>1 soon relative to the time horizon for the return on</p> <p>2 investment?</p> <p>3 THE WITNESS: That is a possibility. The</p> <p>4 analysis is limited to the fact that the investments</p> <p>5 were made in Webcasters that at the time had</p> <p>6 preferable lower rates than the CRB rate, or did not</p> <p>7 pay or into aggregators that did not pay performance</p> <p>8 rates at all.</p> <p>9 JUDGE STRICKLER: In your evidence that</p> <p>10 you rely on and your analysis doesn't say that there</p> <p>11 was a short time horizon that these investors had</p> <p>12 with regard to whether their return would be</p> <p>13 coextensive with the statutory period or the</p> <p>14 settlement period of the rates.</p> <p>15 THE WITNESS: That's correct.</p> <p>16 JUDGE STRICKLER: Thank you.</p> <p>17 BY MR. JOSEPH:</p> <p>18 Q. Dr. Peterson, let's turn to your review of</p> <p>19 Dr. McFadden's data.</p> <p>20 Have you examined Dr. McFadden's results?</p> <p>21 A. Yes. We recreated Dr. McFadden's results.</p> <p>22 Q. Are you offering any critique of Dr. McFadden's</p> <p>23 analysis?</p> <p>24 A. Well, I am not offering a critique of his</p> <p>25 conjoint survey. I understand Dr. Hauser will do</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3882	<p>1 that. I accept his results as they come. I also</p> <p>2 have accepted his hierarchical-based analysis, so my</p> <p>3 analysis of his work essentially provides some</p> <p>4 detailed information that flows from his work that he</p> <p>5 did not present in his testimony.</p> <p>6 Q. Would you describe that detailed information,</p> <p>7 please.</p> <p>8 A. Yes. Dr. McFadden presented the average</p> <p>9 willingness to pay for -- of his respondents for</p> <p>10 features of streaming services, and I have prepared</p> <p>11 some pictures showing the detailed -- showing the</p> <p>12 distribution of the willingness to pay for different</p> <p>13 respondents, so basically, he is able to calculate a</p> <p>14 willingness to pay for each respondent, for each</p> <p>15 feature, and I provide that detail.</p> <p>16 Q. So do you have a demonstrative that illustrates</p> <p>17 what you found concerning that detail and for at</p> <p>18 least one of the issues Dr. McFadden addressed?</p> <p>19 A. I do.</p> <p>20 Q. That, I take it, is the second demonstrative</p> <p>21 sheet that we've handed out; is that correct?</p> <p>22 A. Yes, it is.</p> <p>23 Q. Would you please walk the Court through what is</p> <p>24 depicted on that second demonstrative slide?</p> <p>25 A. Yes.</p>	3884	<p>1 And so there are a few takeaways. First, a</p> <p>2 premium service typically costs about \$10 and what we</p> <p>3 see is the average willingness to pay is \$2.53. So</p> <p>4 the average willingness to pay is substantially lower</p> <p>5 than what we see for a standard subscription service,</p> <p>6 and in fact, if everyone had the average willingness</p> <p>7 to pay, no one would sign up for a subscription</p> <p>8 service so that says it's important to look at this</p> <p>9 distribution as the detailed information that</p> <p>10 Dr. McFadden testified, to understand how the market</p> <p>11 is working and those who might be choosing to pay a</p> <p>12 high price for a subscription service every month.</p> <p>13 Q. What is the significance of the lines that are</p> <p>14 below the zero dollar willingness to pay?</p> <p>15 A. Well, this happens for a number of -- or for</p> <p>16 all but one of Dr. McFadden's features, and that is,</p> <p>17 that there is a group, at least some of his</p> <p>18 respondents have a negative willingness to pay for</p> <p>19 that feature and here, there is a group of</p> <p>20 respondents who have a negative willingness to pay of</p> <p>21 approximately \$8 for the features that are included</p> <p>22 in a premium service but not included in the</p> <p>23 ad-supported service.</p> <p>24 JUDGE STRICKLER: On this Figure 9, the Y</p> <p>25 axis, share represents share of what?</p>
3883	<p>1 JUDGE STRICKLER: Before you do, is this</p> <p>2 demonstrative a reproduction of something from your</p> <p>3 written rebuttal testimony?</p> <p>4 THE WITNESS: Yes, it is. It's Figure 9</p> <p>5 in my testimony.</p> <p>6 JUDGE STRICKLER: Thank you.</p> <p>7 THE WITNESS: So this is one of several</p> <p>8 histograms in my direct testimony. What this one</p> <p>9 shows is the willingness to pay for a -- the features</p> <p>10 in a premium on-demand service relative to the</p> <p>11 features that you would find in an ad-supported free</p> <p>12 to the user on-demand streaming service.</p> <p>13 So the features that are represented here</p> <p>14 are things like offline listening and a full</p> <p>15 on-demand service on a mobile phone for example.</p> <p>16 BY MR. JOSEPH:</p> <p>17 Q. And what are your key takeaways from this</p> <p>18 chart?</p> <p>19 A. Well, first, it's important to recognize since</p> <p>20 what I've compared the premium service to is</p> <p>21 something that is free to the user or has a</p> <p>22 subscription fee of zero. This is the willingness to</p> <p>23 pay more than zero dollars a month for the premium</p> <p>24 service, so we can think of this as willingness to</p> <p>25 pay every month for the premium service.</p>	3885	<p>1 THE WITNESS: That would be the share of</p> <p>2 respondents so if you added up all the lines, they</p> <p>3 would add up to one, if you added up the heights.</p> <p>4 BY MR. JOSEPH:</p> <p>5 Q. Dr. Peterson, can you tell from this chart</p> <p>6 approximately what percentage of respondents had a</p> <p>7 willingness to pay for a premium service of less than</p> <p>8 zero?</p> <p>9 A. Yes. That is in the table on the right and</p> <p>10 that is approximately 35 percent have a negative</p> <p>11 willingness to pay.</p> <p>12 Q. What do you, as an economist, take from the</p> <p>13 significant number of people who have a negative</p> <p>14 willingness to pay for features of a service that you</p> <p>15 might expect to be desirable?</p> <p>16 A. Well, since the features that are here would</p> <p>17 tend to be desirable, one of two things must be true.</p> <p>18 It could be the case that people have a very low</p> <p>19 willingness to pay for some of these features and for</p> <p>20 music services, and so this is a statistical</p> <p>21 analysis, there are errors and things could be</p> <p>22 leaking over onto the negative side of the ledger,</p> <p>23 and that would just be consistent with an overall low</p> <p>24 willingness to pay.</p> <p>25 Another possibility could be that people were</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3886	<p>1 selecting the free option and Dr. McFadden's survey 2 for some reason that, you know, we don't understand. 3 Q. What does the survey show about how many 4 respondents would be willing to pay the \$10 price 5 that I think you identified as the average marker of 6 the typical market price for a premium subscription 7 service? 8 A. Roughly, 17 percent would be willing to pay the 9 \$10 monthly service fee based on this comparison of 10 only two services. 11 Q. And what does the qualification of -- based on 12 this comparison of only two services mean? 13 A. Well, out in the marketplace, of course, there 14 are many services and so there could be services or 15 other ways of obtaining music that someone prefers 16 more than the premium subscription service, in which 17 case they would not pay \$10 for the premium 18 subscription service. 19 It's possible that someone has a different 20 second choice that they prefer to the ad-supported 21 service here and so the willingness to pay over a 22 different second choice might be less than \$10. So 23 this 17 percent here just reflects a comparison 24 between two services and would overstate the number 25 of individuals that would actually choose the \$10</p>	3888	<p>1 Q. Do you have anything to say about the 2 relationship between what the retail price measures 3 and what Dr. McFadden's willingness to pay estimates 4 measure in connection with the use of the survey to 5 support Dr. Rubinfeld's analysis? 6 A. Yes. As it turns out, the features that are 7 measured by the prices Dr. Rubinfeld uses are 8 different than the features that are included in 9 Dr. Rubinfeld's analysis of the interactivity 10 adjustment based on estimates of willingness to pay. 11 There are two ways to see that. In the first, 12 when -- let's just take Pandora for example. If 13 someone is going to upgrade from Pandora to Pandora 14 One, one of the features that is offered is improved 15 sound quality. And certainly the subscription price 16 is covering improved sound quality as part of what 17 the new subscriber is paying for. 18 But improved sound quality is not included in 19 Dr. McFadden's study, so it is just absent from the 20 willingness to pay estimate of the interactivity 21 adjustment. Second -- 22 JUDGE FEDER: Can I stop you there? Why 23 is that significant? 24 THE WITNESS: Well, because the 25 willingness to pay estimate is based on -- is</p>
3887	<p>1 service. 2 Q. Let's change slightly the focus on 3 Dr. McFadden's data. 4 Have you reviewed Dr. Rubinfeld's use of 5 Dr. McFadden's data? 6 A. I have. 7 Q. Does Dr. McFadden's analysis support 8 Dr. Rubinfeld's interactivity adjustment? 9 A. It does not. 10 Q. Why is that? 11 A. First, Dr. Rubinfeld completes his model by 12 developing the interactivity adjustment which is a 13 ratio of prices. It's the average subscription price 14 for an on-demand services to the average subscription 15 price for a statutory service, and he then references 16 an interactivity adjustment based on the willingness 17 to pay estimates of Dr. McFadden, and indicates -- I 18 think he would use them in the same way, but as we 19 have seen with the histogram, there is not a 20 relationship between average willingness to pay 21 across Dr. McFadden's respondents and prices in the 22 market. 23 So there's -- any comparison -- any similarity 24 between those two things numerically is just 25 happenstance.</p>	3889	<p>1 measuring the value of a different set of features 2 than the prices. Once again, there is not a 3 relationship between the prices and the willingness 4 to pay estimates, and there's -- the interactivity 5 adjustment, based on the two, really shouldn't 6 necessarily be the same. There is no reason to 7 believe they would be the same, so they are the same 8 based on happenstance. 9 One isn't supporting the other because 10 they should be the same for any economic reason. 11 JUDGE STRICKLER: I'm sorry, were you 12 finished? 13 THE WITNESS: Yes. 14 JUDGE STRICKLER: You say they are the 15 same by happenstance. I noticed that you said that 16 in your report. Could an argument be made though 17 that Dr. Rubinfeld has determined his interactivity 18 adjustment a certain way by doing the ratios of 19 subscription prices as relative to the ratio of 20 royalties per play, and Dr. McFadden did it in the 21 conjoint version and one serves as a check upon the 22 other? They are different methods, no doubt, but the 23 fact that they come up to be approximately equal in 24 the neighborhood of 2.0, does that suggest sort of -- 25 if you will, for lack of a better phrase, a sanity</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3890	<p>1 check of one on the other?</p> <p>2 THE WITNESS: No, I don't think so,</p> <p>3 because there is no reason they should be the same</p> <p>4 when they are not even measuring the same thing, and</p> <p>5 Dr. Rubinfeld doesn't give us any theory of how we</p> <p>6 would close out his model, if you will, using a ratio</p> <p>7 of willingness to pay estimates for the two types of</p> <p>8 services.</p> <p>9 I mean, it's different. It's just</p> <p>10 different than the assumption that he talks about as</p> <p>11 the way he is going to complete his model. So he</p> <p>12 does have a number of 2.0 but -- or near 2.0, but</p> <p>13 that is all he has. Unless that number should come</p> <p>14 out to 2.0 if the ratio of prices and the ratio of</p> <p>15 estimates of willingness to pay would come -- should</p> <p>16 be the same, then they can't really be a check on</p> <p>17 each other.</p> <p>18 They are measuring -- willingness to pay</p> <p>19 is not related to prices necessarily or in any</p> <p>20 general way, and the two methods are measuring the</p> <p>21 values of different sets of features.</p> <p>22 JUDGE STRICKLER: Is there any</p> <p>23 relationship in your opinion between the fact that</p> <p>24 willingness to pay I think was for 17 -- the \$10 or</p> <p>25 more in your histogram was reflected 17 percent of</p>	3892	<p>1 good point. That is probably better off to say that</p> <p>2 it's less price discrimination than the -- the price</p> <p>3 is set to maximize profits for a group of individuals</p> <p>4 that are at the top end of the distribution of</p> <p>5 willingness to pay, and so these are people who</p> <p>6 appear not to want to use pirate services and are</p> <p>7 quite unusual in the distribution of willingness to</p> <p>8 pay, and so what we can say is that the license fees</p> <p>9 and the -- ultimately, then the prices of the</p> <p>10 services, you know, is not driven to the same level</p> <p>11 as what is pointed to as competition, which would be</p> <p>12 pirate services and other services.</p> <p>13 JUDGE STRICKLER: Thank you.</p> <p>14 BY MR. JOSEPH:</p> <p>15 Q. Dr. Peterson, just one last question: Do you</p> <p>16 understand Dr. McFadden's study to serve any purpose</p> <p>17 in this proceeding, other than as an input into</p> <p>18 Dr. Rubinfeld's secondary approach for calculating</p> <p>19 his interactivity adjustment?</p> <p>20 A. I'm not aware of any other use for it.</p> <p>21 MR. JOSEPH: I have no further questions.</p> <p>22 MR. POMERANTZ: Your Honor, I have three</p> <p>23 subjects to cover with Dr. Peterson and I've</p> <p>24 reordered them, so the first two are public and the</p> <p>25 last one is not.</p>
3891	<p>1 the market as you pointed out or 17 percent of the</p> <p>2 respondents?</p> <p>3 THE WITNESS: Of the respondents, yes.</p> <p>4 JUDGE STRICKLER: Of the respondents. And</p> <p>5 the fact that -- does that fact, the fact that -- let</p> <p>6 me try this again.</p> <p>7 To me, willingness to pay is \$2.53 and</p> <p>8 yet, the market price is \$10. Is there any</p> <p>9 reflection of market power in that difference or can</p> <p>10 you not glean that from this data? The difference</p> <p>11 between \$10 and 2.53.</p> <p>12 THE WITNESS: I would say that what it</p> <p>13 suggests is that there is price discrimination going</p> <p>14 on with regard to the pricing of the subscription</p> <p>15 on-demand services, in that they are targeted at a</p> <p>16 set of individuals with a willingness to pay, that is</p> <p>17 much higher than average.</p> <p>18 JUDGE STRICKLER: That begs the question,</p> <p>19 to me anyway, if it's price discrimination as of now,</p> <p>20 we had our discussion right now, it involves one</p> <p>21 price, the \$10 a month price, so where is the price</p> <p>22 discrimination? Where is the other price or other</p> <p>23 prices in the discriminatory process?</p> <p>24 THE WITNESS: I mean, there are different</p> <p>25 prices for different licenses. I think you make a</p>	3893	<p>1 CHIEF JUDGE BARNETT: Thank you.</p> <p>2 CROSS-EXAMINATION BY COUNSEL FOR</p> <p>3 SOUNDEXCHANGE</p> <p>4 BY MR. POMERANTZ:</p> <p>5 Q. Good afternoon, Dr. Peterson.</p> <p>6 A. Good afternoon.</p> <p>7 Q. You understand that the current statutory rate</p> <p>8 for commercial Webcasters is 23 cents?</p> <p>9 A. Yes.</p> <p>10 Q. I am using 23 cents in the way that we have</p> <p>11 been using it in this proceeding.</p> <p>12 A. I should say per 100 or --</p> <p>13 Q. But you understand, what I mean 23 cents, that</p> <p>14 I am including all the zeros in that?</p> <p>15 A. Yes.</p> <p>16 Q. All right. You understand that the current</p> <p>17 rate for broadcasters under the NAB settlement is 25</p> <p>18 cents, correct?</p> <p>19 A. I do.</p> <p>20 Q. And you are not here to offer an opinion as to</p> <p>21 whether either of these rates is competitive or not</p> <p>22 competitive, right?</p> <p>23 A. I'm not.</p> <p>24 Q. So let's look at what we do know about the</p> <p>25 number of Webcasters that are competing in the</p> <p>market.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3894	<p>1 Let's do, as you suggest, let's limit our</p> <p>2 discussion today to just those commercial Webcasters</p> <p>3 who are paying at or near the current statutory</p> <p>4 rates. Okay?</p> <p>5 A. Okay.</p> <p>6 Q. Is it fair to say that what we do know from the</p> <p>7 available data is that there is more than a thousand</p> <p>8 Webcasters that are today paying at or near the</p> <p>9 statutory rates?</p> <p>10 A. I believe that is correct, yes.</p> <p>11 Q. Is it fair to assume that each of these</p> <p>12 Webcasters is in the market because it believes it</p> <p>13 can make a profit in the market?</p> <p>14 A. Well, I don't know that they believe they are</p> <p>15 going to make a profit going forward from where they</p> <p>16 are today.</p> <p>17 Q. Well --</p> <p>18 JUDGE STRICKLER: Just so I understand the</p> <p>19 back and forth on this question. You set it up by</p> <p>20 asking about the 23 cents for the statutory rate and</p> <p>21 then the 25 cents for the NAB settlement, correct?</p> <p>22 MR. POMERANTZ: Correct.</p> <p>23 JUDGE STRICKLER: The thousand Webcasters</p> <p>24 includes the simulcasters in that question?</p> <p>25 MR. POMERANTZ: Correct, Your Honor.</p>	3896
3895	<p>1 BY MR. POMERANTZ:</p> <p>2 Q. Is that how you understood it?</p> <p>3 A. It is.</p> <p>4 Q. What you are saying is that your belief is that</p> <p>5 each of these commercial Webcasters, including the</p> <p>6 simulcasters, when they entered the market, they</p> <p>7 thought they were going to make a profit in the</p> <p>8 market, correct?</p> <p>9 A. I would agree with that. Basic economic</p> <p>10 principle, sure.</p> <p>11 Q. They were aware of whatever the then current</p> <p>12 statutory rate was when they entered the market,</p> <p>13 correct?</p> <p>14 A. Yes, presumably so.</p> <p>15 Q. So at that rate, they thought they could make a</p> <p>16 profit, correct?</p> <p>17 A. That's correct.</p> <p>18 Q. And there is over a thousand of them still in</p> <p>19 the market today, correct?</p> <p>20 A. Yes.</p> <p>21 Q. Now you criticize Dr. Blackburn for comparing</p> <p>22 the survival rates of Webcasters to the survival</p> <p>23 rates in other industries, correct?</p> <p>24 A. I do.</p> <p>25 Q. You believe that comparing Webcaster survival</p>	3897

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3898	3900
<p>1 fact that I have made that adjustment doesn't tell us</p> <p>2 any more about the rates.</p> <p>3 It's still an uninformative analysis with</p> <p>4 regard to whether the rates for performance licenses</p> <p>5 are at a competitive or above competitive level.</p> <p>6 Q. So just to be clear, you do not have an opinion</p> <p>7 as to whether your adjusted rates for survival are or</p> <p>8 are not consistent with effective competition,</p> <p>9 correct?</p> <p>10 JUDGE STRICKLER: The rates, you're</p> <p>11 talking about the survival rates?</p> <p>12 MR. POMERANTZ: The survival rates in</p> <p>13 Figure 1 of his report. If you want to --</p> <p>14 JUDGE STRICKLER: I just wanted to make</p> <p>15 sure you are talking about survival rates.</p> <p>16 MR. POMERANTZ: Yes. That is what we're</p> <p>17 talking about.</p> <p>18 THE WITNESS: Yes. Well, it's true for my</p> <p>19 rates, it's true for his rates. I mean, they are</p> <p>20 calculated using the same methods, and my testimony</p> <p>21 is that those are -- that is an uninformative</p> <p>22 analysis. The point of my Figure 1 is to demonstrate</p> <p>23 that rates do matter to the performance of Webcasters</p> <p>24 and Dr. Blackburn suggested that that is not the</p> <p>25 case, so that figure is really there for a different</p>	<p>1 Q. And they've been investing in their</p> <p>2 noninteractive services, correct?</p> <p>3 A. Presumably so.</p> <p>4 Q. You are aware that Google bought a</p> <p>5 noninteractive service called Songza, correct?</p> <p>6 A. They did.</p> <p>7 Q. You are aware that Apple has been investing in</p> <p>8 its iTunes Radio service, correct?</p> <p>9 A. It started it, yes. I don't know what the</p> <p>10 current investments are.</p> <p>11 Q. That is a noninteractive service as well,</p> <p>12 correct?</p> <p>13 A. It is.</p> <p>14 Q. Let's move to the conjoint in your discussions</p> <p>15 regarding Dr. McFadden and Dr. Rubinfeld.</p> <p>16 You agree that the results of a conjoint study</p> <p>17 are frequently reported as an average willingness to</p> <p>18 pay, correct?</p> <p>19 A. Yeah. I don't think Dr. McFadden made a</p> <p>20 mistake by reporting that. I am just saying that his</p> <p>21 analysis provides more information than that, and</p> <p>22 that is interesting in and of itself and was relevant</p> <p>23 to my analysis of whether his analysis could support</p> <p>24 Dr. Rubinfeld's calculation of an interactivity</p> <p>25 adjustment.</p>
3899	3901
<p>1 point.</p> <p>2 BY MR. POMERANTZ:</p> <p>3 Q. Then a few minutes ago, Mr. Joseph and Judge</p> <p>4 Strickler were asking you questions about investments</p> <p>5 in noninteractive services.</p> <p>6 Do you recall that?</p> <p>7 A. Yes.</p> <p>8 Q. The point of your written testimony on that</p> <p>9 subject was simply to look at an article that</p> <p>10 Dr. Blackburn had cited and to show, in your view,</p> <p>11 that it was not supporting what he said, correct?</p> <p>12 A. That's correct.</p> <p>13 Q. So you were just looking at one article, right?</p> <p>14 A. I was responding precisely to what he had said,</p> <p>15 yes.</p> <p>16 Q. So you are not saying that there hasn't been an</p> <p>17 significant investment in noninteractive services in</p> <p>18 recent years, correct?</p> <p>19 A. We have to talk about significance. There has</p> <p>20 been investment across all noninteractive services.</p> <p>21 That article didn't describe any in the categories</p> <p>22 where, you know, the rates tend to be higher.</p> <p>23 Q. For example, iHeartRadio pays at or near the</p> <p>24 statutory rates, correct?</p> <p>25 A. Yes.</p>	<p>1 Q. So it's fair to say that it's very common for</p> <p>2 people who work with conjoint studies to report their</p> <p>3 work through using average willingness to pay,</p> <p>4 correct?</p> <p>5 A. I know that that's done, certainly.</p> <p>6 Q. You are not an expert in conjoint studies,</p> <p>7 correct?</p> <p>8 A. I am not a certified expert, no.</p> <p>9 Q. But you have never conducted a conjoint study</p> <p>10 before or reported its results, correct?</p> <p>11 A. That's right.</p> <p>12 Q. And you have never used a conjoint study as</p> <p>13 part of your work as an economist, correct?</p> <p>14 A. Not a conjoint study, no.</p> <p>15 Q. Now in running the experiment, Dr. McFadden</p> <p>16 used a sample, correct?</p> <p>17 A. Well, he had a set of respondents. Is that</p> <p>18 what you mean by sample?</p> <p>19 Q. Yes.</p> <p>20 A. Yes.</p> <p>21 Q. And he estimated the willingness to pay for</p> <p>22 each respondent in the sample, correct?</p> <p>23 A. That's correct.</p> <p>24 Q. And he estimated -- and then he calculated --</p> <p>25 strike that.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3902	<p>1 Then he estimated an average willingness to</p> <p>2 pay, correct?</p> <p>3 A. That's correct.</p> <p>4 Q. And he calculated the standard error for this</p> <p>5 average, correct?</p> <p>6 A. Yes. Based on -- if I recall, the individual</p> <p>7 willingness to pay or something like that.</p> <p>8 Q. All right. You looked at the individual</p> <p>9 estimates for each respondent to the survey, correct?</p> <p>10 A. That's right.</p> <p>11 Q. But you did not calculate the standard error</p> <p>12 for each of those individual estimates, correct?</p> <p>13 A. I have not, no. I have the mean estimate.</p> <p>14 Q. I'm going to now turn to the third subject of</p> <p>15 your testimony that Mr. Joseph did not ask you about,</p> <p>16 which is the promotion and substitution issues that</p> <p>17 you addressed in your written testimony.</p> <p>18 MR. POMERANTZ: I am probably going to be</p> <p>19 moving into a couple of confidential documents at</p> <p>20 this point. Your Honor.</p> <p>21 CHIEF JUDGE BARNETT: Anyone in the</p> <p>22 hearing room who has not signed a nondisclosure</p> <p>23 certificate, please wait outside.</p> <p>24 (THIS ENDS PUBLIC SESSION)</p> <p>25 (RESTRICTED SESSION BOUND</p> <p>SEPARATELY)</p>	3917	<p>1 (THIS BEGINS PUBLIC SESSION)</p> <p>2 MR. JOSEPH: We are getting our next</p> <p>3 witness, Your Honor.</p> <p>4 CHIEF JUDGE BARNETT: Before you are</p> <p>5 seated please raise your right hand.</p> <p>6 ROMAN WEIL,</p> <p>7 being first duly sworn, to tell the truth, the whole</p> <p>8 truth and nothing but the truth, testified as</p> <p>9 follows:</p> <p>10 DIRECT EXAMINATION BY COUNSEL FOR</p> <p>NAB</p> <p>11 BY MR. MILLS:</p> <p>12 Q. Good afternoon, Professor.</p> <p>13 A. Howdy.</p> <p>14 Can you hear? Am I doing okay with this?</p> <p>15 Q. Maybe a little closer.</p> <p>16 A. Closer. How's this?</p> <p>17 Q. Thank you.</p> <p>18 Professor, for the record, my name's</p> <p>19 Christopher Mills, representing the National</p> <p>20 Association of Broadcasters.</p> <p>21 Could you introduce yourself and spell your</p> <p>22 name for the record.</p> <p>23 A. I'm Roman, middle initial L, Weil, W-E-I-L.</p> <p>24 First name is R-O-M-A-N.</p> <p>25 Q. Thank you.</p>
3903	<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 Could you give us some of your background</p> <p>2 including your education and experience?</p> <p>3 A. After I graduated from high school in</p> <p>4 Montgomery, Alabama, in the late '50s, I went to Yale</p> <p>5 where I got a bachelor's degree in mathematics and</p> <p>6 economics. Then I went to Pittsburgh and went to</p> <p>7 what was then called Carnegie Tech, now called</p> <p>8 Carnegie Mellon University, and I got a master's</p> <p>9 degree in industrial administration and a Ph.D. in</p> <p>10 economics. That ended my formal education.</p> <p>11 Then I went to the University of Chicago in</p> <p>12 1965, and my real education began. You learn more as</p> <p>13 a professor than you do as a student.</p> <p>14 And I've had an affiliation with the University</p> <p>15 of Chicago since 1965, going up through ranks with</p> <p>16 titles in mathematical economics, computer science,</p> <p>17 information science, and for the last four years as a</p> <p>18 professor of accounting and now have a title of</p> <p>19 professor emeritus. "Emeritus" used to mean earned</p> <p>20 by merit. It now means merely old.</p> <p>21 In the intervening 45 years, I've been a</p> <p>22 visiting professor at a dozen universities, Harvard</p> <p>23 in the east to Stanford in the west.</p> <p>24 In the past year I've been a professor at</p> <p>25 Princeton, where my students will take a final exam</p>	3918

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3919	<p>1 next week, Georgetown, and the University of 2 California San Diego. 3 During that period, I have written textbook, 4 professional reference books, lay people's articles; 5 refereed journal articles, peer-reviewed articles. 6 I have served on various professional 7 committees to accountants and then to the SEC, for 8 example, of accounting boards. I've done consulting. 9 That's where I get most of my industrial experience. 10 Real world experience is consulting. 11 And I served on -- in corporate boards. And I 12 have run some executive education programs. So I 13 educate corporate directors and senior executives. 14 Q. Okay. And any publications of particular 15 interest for this matter? 16 A. There is one that is right on to this matter. 17 Five or six years ago I wrote a chapter in one of the 18 professional reference book called -- the reference 19 book is called "The Handbook of Cost Management." 20 And the chapter is called "The Allocation of Cost and 21 Revenue." 22 That particular chapter followed the very first 23 publication I ever had in the American Economic 24 Review in the 1960s on the allocation of cost. So 25 I've been thinking about the allocation of costs and</p>	3921	<p>1 And then I served on the audit committees of 2 some small companies that you would not have heard of 3 going bankrupt at the moment, but they're not 4 bankrupt yet. 5 MR. MILLS: Okay. I'd like to offer 6 Professor Weil as an expert in financial economics 7 and managerial accounting. 8 MR. OLASA: No objection, Your Honor. 9 CHIEF JUDGE BARNETT: Professor Weil is so 10 qualified. 11 BY MR. MILLS: 12 Q. Professor, you've been handed a black binder. 13 Do you see in that binder a tab marked NAB 14 Exhibit 4011? 15 A. Yes. 16 Q. Okay. Behind that tab is there a report? 17 A. Yes. 18 Q. Thank you. 19 And did you submit written testimony in this 20 case? 21 A. I wrote some testimony, and you submitted it. 22 Q. Okay. Thank you. 23 And does this appear to be a copy of that 24 written testimony? 25 A. Yes.</p>
3920	<p>1 revenues essentially my entire career. But the most 2 recent one was in this book, and I've quoted from it 3 in my report. 4 Q. Okay. And have you served on any accounting 5 advisory boards? 6 A. I have not served on any boards like the 7 Financial Accounting Standards Board. But I've 8 served on various committees and groups that advise 9 those boards or advice the FASB, the Financial 10 Accounting Standard Board in the U.S., the 11 International Accounting Standards Board in London 12 the public company accounting oversight board here in 13 Washington, and the SEC here in Washington, all in 14 various aspects of accounting and auditing. 15 Q. Okay. And on any boards of directors of 16 companies we might have heard of? 17 A. Yes. The only one you might have heard of are 18 the mutual funds affiliated with New York Life 19 Insurance that are called MainStay Funds. 20 Q. And any audit committees of boards? 21 A. The audit committees of all of those boards, 22 which are -- I think of them as one big board. 23 They're really technically 80 different boards 24 because they're 80 different mutual funds. But I 25 think of it as one.</p>	3922	<p>1 Q. And is there a signature page sort of in the 2 middle there before the appendices? 3 A. Yes. 4 Q. Is that a copy of your signature? 5 A. Yes. 6 MR. MILLS: Okay. Your Honor, we offer 7 NAB Exhibit 4011. 8 MR. OLASA: No objections, Your Honor. 9 CHIEF JUDGE BARNETT: 4011 is admitted. 10 (NAB Exhibit No. 4011 was admitted into 11 evidence.) 12 BY MR. MILLS: 13 Q. Professor, could you summarize what you were 14 asked to do in this matter. 15 A. Yes. I have this demonstrative exhibit. 16 Does everybody have a copy? Is it on a screen 17 somewhere? Or are we just -- 18 Q. Everyone has a copy. 19 A. Everyone has a copy. All right. 20 So my assignment is on 3003. So I was asked to 21 look at the proposal of SoundExchange for the thing 22 that I've seen other witness refer to as a prong, one 23 of the aspects of the structure that is being 24 proposed for royalty payments where they're looking 25 at a percentage of what's called attributable</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3923	<p>1 revenue. Percentage of revenue under certain cases 2 will be the royalty payment. 3 And I was asked to look at the proposal in the 4 SoundExchange document for the change in the audit 5 structure from requiring a CPA to merely asking for 6 an industry expert. 7 The CPA is an industry -- needs to be an 8 industry expert. But removing the CPA requirement 9 and just an industry expert. So I've asked to look 10 at both of those things. 11 Q. Okay. Without getting into the details yet, 12 Professor, can you give us your top-level findings? 13 A. Yes. My top-level finding with respect to the 14 notion of having any royalties based on a percentage 15 of what the proposal called attributable revenue is 16 that it won't work. 17 It's impossible to do in any uniquely logical 18 or correct way. It can't be done, as SoundExchange 19 says, fairly in accord with -- fairly reasonable, in 20 good faith, in accord with U.S. accounting principal. 21 JUDGE STRICKLER: Good afternoon, 22 Professor. Question for you. You said it's possible 23 to do it in any uniquely logical way. 24 If we took away the "uniquely," is it 25 possible to do it in some -- one or more logical</p>	3925	<p>1 A. The top-level finding on that other point is it 2 would be a truly backwards step to get rid of the CPA 3 requirement, to say just an industry expert. 4 The CPA needs to be an industry expert. But 5 the CPA brings to this task some other things that 6 the mere industry expert does not. And I think those 7 things are essential for this process to work 8 smoothly, at low cost, without litigation. But more 9 litigation is going to happen anyway. 10 Q. Okay. I want to take a brief step back, 11 Professor. 12 Are you an expert in the broadcast industry? 13 A. No. 14 Q. Did you do anything to inform yourself of 15 accounting issues for the broadcast industry? 16 A. Yes. 17 Q. Could you briefly explain that? 18 A. Insofar as I needed to understand the -- some 19 of the accounting issues about revenue and the 20 practices in the broadcast industry, I wanted to 21 learn a little bit about the business models of these 22 broadcasters and the accounting principles that came 23 into being. 24 And I asked you to put me in touch with some 25 accountants and auditors who were expert in the</p>
3924	<p>1 ways? 2 THE WITNESS: There are many different 3 ways you might choose to do it. But there's no one 4 that is suggested by accounting principles or logic 5 for some of it. 6 When I get to expand on this -- and I can 7 do it now if you like -- we're going to see there are 8 three things that need to be taken care of in order 9 to get the costs that you will -- excuse me -- the 10 revenues you will multiply by a percentage. 11 And there's one of those that you can't 12 even deal with. Two of them you can. One of them 13 you can't. And I'll expand on that later or now. Be 14 your choice, sir. 15 JUDGE STRICKLER: I'll let counsel go 16 through his organization. So we'll defer. Thank 17 you. 18 MR. MILLS: Thank you. 19 THE WITNESS: So that's the summary of 20 that point. It can't be done in a uniquely logical 21 way. It can't be done, quote, with a fair method in 22 accord with U.S. generally accepted accounting 23 principles. It won't work. 24 BY MR. MILLS: 25 Q. And your top-level finding on the other point?</p>	3926	<p>1 industry, the kind of CPAs who would be doing these 2 audits I'm referring to in these -- and you 3 introduced me to a Mr. Garrett at an accounting firm 4 called Miller & Kaplan, whom I had at least one 5 conversation. I had maybe two and maybe a 6 conversation with a partner of his in that firm. 7 But I discussed with him the kinds of business 8 transactions that went on. And because of those 9 business transactions, I understood, from my work as 10 an accounting theorist and teaching these accounting 11 principles, that there were some applications in 12 revenue recognition that I thought might be suitable 13 for the broadcast industry. 14 And I specifically discussed with him why these 15 would or would not apply. And some of the results of 16 those discussions are implicit in my report here. So 17 I discussed with him what I thought I needed to know 18 to write my report. 19 Q. Okay. And I also want to be clear. There are 20 many different services in this case. 21 Are you -- in your discussions in your report 22 and here today, are you talking on behalf of all 23 services or just broadcasters? 24 A. In this case, "services" is defined, I think, 25 to exclude -- interactive services, they included or</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3927	<p>1 excluded? I think they're excluded. They're</p> <p>2 services like -- well, I've lost track of what</p> <p>3 services include, that technical word. Sometimes</p> <p>4 include interactive service; sometimes it doesn't.</p> <p>5 Q. Let me be more specific.</p> <p>6 A. Yeah.</p> <p>7 Q. So, for example, Pandora is a service in this</p> <p>8 matter.</p> <p>9 A. Pandora is in this room. But I'm not looking</p> <p>10 at Pandora. I am looking at broadcasters.</p> <p>11 Q. Okay. Thank you.</p> <p>12 A. So all of what I have to say is about</p> <p>13 broadcasters, not about a Pandora.</p> <p>14 Q. Okay.</p> <p>15 A. And certainly not about interactive services,</p> <p>16 which as far as I can see, they're not in this room</p> <p>17 at all.</p> <p>18 Q. Could you give us an overview of your</p> <p>19 understanding of SoundExchange's percentage of</p> <p>20 revenue proposal.</p> <p>21 A. So when you do a percentage of revenue, it's a</p> <p>22 multiplication of a percentage, which I understand</p> <p>23 SoundExchange says should be 55 percent, times a</p> <p>24 dollar number which is a revenue.</p> <p>25 And you're going to hear me say something is</p>	3929	<p>1 show that both of those impossible to do in any</p> <p>2 logically correct way -- any uniquely correct logical</p> <p>3 way.</p> <p>4 And I want to point out a third shrinkage that</p> <p>5 has to be done that this proposal doesn't even</p> <p>6 address at all and, therefore, is faulty.</p> <p>7 So in their proposal, the first step is the</p> <p>8 bundling problem. When a broadcaster sells an ad to</p> <p>9 an advertiser, oft times the advertiser pays a single</p> <p>10 amount of cash and gets several things.</p> <p>11 Gets an over-the-air ad, gets a streamed ad.</p> <p>12 It gets a banner ad on a website. Looked at a couple</p> <p>13 of those as recently as this afternoon, just see what</p> <p>14 they look like. Oft times gets the e-mail program,</p> <p>15 which sends some blast ads to people a couple of</p> <p>16 times a week. They get some sponsored concerts.</p> <p>17 Sometimes you don't like when I use example. I even</p> <p>18 saw one when they get a sponsored pool party. I</p> <p>19 actually saw one of those. Go to the pool party, and</p> <p>20 you see the advertisement for the cruise that they</p> <p>21 paid for, and they gave a pot of money in one payment</p> <p>22 to the broadcaster.</p> <p>23 So the first step is to take that one payment</p> <p>24 for this group of ads and to split it apart into the</p> <p>25 thing that is for the streamed broadcast. Unbundling</p>
3928	<p>1 impossible for short or not uniquely rationally</p> <p>2 possible.</p> <p>3 I am not saying it is impossible to multiply A</p> <p>4 times B. My 14-year-old granddaughter could do that.</p> <p>5 She probably could do it when she was 12. She's a</p> <p>6 smart kid.</p> <p>7 What I'm saying is the B is not possible to</p> <p>8 get. And so what I want to talk about is where does</p> <p>9 the B come from. The A is a 55 percent.</p> <p>10 And so SoundExchange proposes to get this</p> <p>11 revenue pot by what some people have called a</p> <p>12 subtractive process. Don't build it up from the</p> <p>13 bottom. We start with the top, with all the revenues</p> <p>14 that were broadcast or what they call gross revenues.</p> <p>15 Then they take out some things like sales taxes and</p> <p>16 some other things like the sales of CDs. And they</p> <p>17 get a number called adjusted revenue. That's</p> <p>18 unexceptional. I have no problem with that.</p> <p>19 Then they take adjusted revenue, and they</p> <p>20 shrink it in two steps to something they call</p> <p>21 attributable revenue. And that attributable revenue</p> <p>22 is the B, the revenue which is multiplied by the 55</p> <p>23 percent.</p> <p>24 And I want to talk about the two steps that</p> <p>25 shrink adjusted revenue to attributable revenue and</p>	3930	<p>1 of this multi-attribute piece of revenue, is what</p> <p>2 it's called in accounting. Bundling is what it's</p> <p>3 called in this matter. That's the first step.</p> <p>4 Second step that has to be done is, when you</p> <p>5 have a broadcast that is over the air and then</p> <p>6 streamed, you got to split that apart into the part</p> <p>7 that's streamed versus over the air. Because people</p> <p>8 in this room know better than I do the part that's</p> <p>9 over the air doesn't get a royalty, and the part</p> <p>10 that's streamed does. So if there's a single payment</p> <p>11 for a broadcast that is simultaneously sent those two</p> <p>12 ways, you got to split that apart.</p> <p>13 And it says do it fair, reasonable and in a</p> <p>14 good faith using generally accepted accounting</p> <p>15 principles. Doesn't exist in any unique way --</p> <p>16 uniquely logical way. Can't be done.</p> <p>17 And third, the thing that's omitted and I think</p> <p>18 is just as important -- they don't address it -- is,</p> <p>19 when you have a show -- and I have an example in my</p> <p>20 report, and I can give some other examples.</p> <p>21 When you have a show that's got not just music</p> <p>22 but talk and music or music and a sports show or</p> <p>23 music and something that's not music, and it's got an</p> <p>24 ad, you need to think about how much of that</p> <p>25 advertising cash that's coming in is for the music</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3931	<p>1 and how much is for the talk.</p> <p>2 They don't talk about that at all. At least</p> <p>3 one of the witnesses on their side acknowledged that</p> <p>4 that's an issue and needs to be dealt with. But it's</p> <p>5 not in his proposal.</p> <p>6 So those are the three aspects of going from</p> <p>7 adjusted revenue to attributable revenue to get the</p> <p>8 pot B that is multiplied by the percentage.</p> <p>9 And I say it can't be done in any way that is</p> <p>10 unique and that these judges, Your Honor, can write</p> <p>11 down in a statute that will be usable by hundreds,</p> <p>12 may -- over a thousand, I heard earlier this</p> <p>13 afternoon, people in any way that's not going to cost</p> <p>14 endless litigation and fights. I just can't see that</p> <p>15 it would possibly work.</p> <p>16 Q. You said you had an example of your music</p> <p>17 versus nonmusic. Maybe you could walk us through</p> <p>18 that.</p> <p>19 A. Oh, the music versus nonmusic, the one that's</p> <p>20 in my report is from my days as a graduate student.</p> <p>21 I'm a lot older than anybody else in this courtroom,</p> <p>22 I think.</p> <p>23 But when I was graduate students in Pittsburgh</p> <p>24 in the 1960s, there was a guy on the radio in the</p> <p>25 morning named Rege Cordick. And he had 85 percent of</p>	3933	<p>1 case. The extreme case that I would use in the</p> <p>2 classroom -- in fact, I've used it in the classroom</p> <p>3 in one of my teachings this summer -- is I listen to</p> <p>4 baseball games on the Internet stream, MLB.com, and I</p> <p>5 listen because my son lives in Baltimore. I listen</p> <p>6 to the Baltimore Orioles.</p> <p>7 And when the Baltimore Orioles play the Toronto</p> <p>8 Blue Jays at home, Canada, the game is always</p> <p>9 preceded by the national anthems of the U.S. and</p> <p>10 Canada. And they always sing "O Canada."</p> <p>11 Now, like Professor Lys, who's a professor of</p> <p>12 accounting -- I've known him since he was a student</p> <p>13 -- I got this oddball liking for classical music and</p> <p>14 western. So I like Celine Dion singing "O Canada"</p> <p>15 because that's from Mozart. You know that that tune</p> <p>16 was written by Mozart, "O Canada"?</p> <p>17 So there's one song in a three-hour broadcast</p> <p>18 that somebody's going to collect the royalty because</p> <p>19 Celine Dion is singing that song. And it doesn't</p> <p>20 make sense that all those ads that I'm hearing on</p> <p>21 this stream broadcast go to SoundExchange because she</p> <p>22 sang that song.</p> <p>23 Somebody's got to deal with that problem. And</p> <p>24 that's not in this report. Not in this proposal.</p> <p>25 So we got the Celine Dion extreme case. We got</p>
3932	<p>1 the listening audience. There were a dozen radio</p> <p>2 stations. 85 percent for one guy. That's because he</p> <p>3 was so clever and so funny.</p> <p>4 And we had the talk part of his show -- that's</p> <p>5 why people listened -- and some music. And so, if</p> <p>6 Rege Cordick were working today and we had simulcast,</p> <p>7 we'd have to allocate the considerable revenues that</p> <p>8 those shows generated between the Cordick &</p> <p>9 Company -- that's what they called the talk part,</p> <p>10 Cordick & Company -- versus the music.</p> <p>11 And you could think about how to allocate that.</p> <p>12 Time, 50/50, because it was half and half. Or</p> <p>13 surveys. People say, "Well, I like 80 percent Rege</p> <p>14 Cordick, and I like 20 percent music."</p> <p>15 Or an economist might say, "Look, people are</p> <p>16 listening to that show because of Rege Cordick. If</p> <p>17 they wanted music, they'd listen to the other ten</p> <p>18 stations that are all music. It's a hundred percent</p> <p>19 for Rege Cordick and only nominally for the music.</p> <p>20 I'd give 99 percent to Cordick and 1 percent to the</p> <p>21 music." That would be the economist basis, looking</p> <p>22 at what people do. You got to deal with that</p> <p>23 problem.</p> <p>24 Another case that's not in my report, when I</p> <p>25 teach, I think students learn better with extreme</p>	3934	<p>1 the Rege Cordick kind of extreme case where it's all</p> <p>2 for the talk and not for music.</p> <p>3 But, in general, there's talk shows with music</p> <p>4 interspersed. Somebody's got to deal with that</p> <p>5 problem. And even the expert on the other side</p> <p>6 acknowledges it, but we don't see what to do with it.</p> <p>7 MR. MILLS: Your Honors, I'm mindful of</p> <p>8 the time. I'm almost done but looking on to a last</p> <p>9 topic. If you want to continue?</p> <p>10 CHIEF JUDGE BARNETT: Let's go ahead.</p> <p>11 Ms. Whittle may get up and leave again at 4:30, but</p> <p>12 we'll soldier on without her.</p> <p>13 MR. MILLS: Okay. Thank you.</p> <p>14 BY MR. MILLS:</p> <p>15 Q. All right, Professor. If we could just move to</p> <p>16 your second point, CPA point, could you summarize or</p> <p>17 go into as much detail as you like on your findings?</p> <p>18 A. Okey-doke. So the proposal is drop the</p> <p>19 requirement for the CPA and use an industry expert.</p> <p>20 I am not disputing that the person who does the</p> <p>21 audit needs to be an industry expert. Goes without</p> <p>22 saying. Plenty of CPAs who are industry expert. I</p> <p>23 talked to one. Mr. Garrett is an industry expert.</p> <p>24 But the CPA brings to the party some things</p> <p>25 that a mere industry expert needn't bring. First</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3935	<p>1 thing, brings objectivity. Not trying to look for</p> <p>2 underreporting or overreporting. He's just trying to</p> <p>3 get the right number.</p> <p>4 The next thing that a CPA brings is some ethics</p> <p>5 and some general training that is useful for doing an</p> <p>6 audit by passing the CPA exam and taking these ethics</p> <p>7 to qualify for doing an audit the way an industry is</p> <p>8 not.</p> <p>9 Now, you may think that's trivial and not</p> <p>10 important. But let me ask you lawyers to think about</p> <p>11 this. There are a lot of people who can draw up a</p> <p>12 will. But we don't let laymen draw up wills. We can</p> <p>13 you got to go to law school and learn a whole -- a</p> <p>14 number of things that go being a lawyer before we'll</p> <p>15 let you draw up a will.</p> <p>16 JUDGE STRICKLER: It also restricts entry.</p> <p>17 THE WITNESS: Well, I didn't say that, but</p> <p>18 I'm glad you said it. You're an economist, aren't</p> <p>19 you? You know about that.</p> <p>20 My daughter's an MD. And she's told me</p> <p>21 that, when you do a hip replacement, the guy working</p> <p>22 with the surgeon is the salesman of the hip joint.</p> <p>23 And he's capable of doing that surgery maybe better</p> <p>24 than the surgeon, but they don't let him do it</p> <p>25 because he hadn't been to medical school, and he's</p>	3937	<p>1 But let's decide this ahead of time</p> <p>2 between the party being audited, the broadcaster, and</p> <p>3 SoundExchange. Let's agree ahead of time on the</p> <p>4 materiality standard and the cost of the audit. So</p> <p>5 ahead of time, not with litigation afterwards. CPAs</p> <p>6 agreed upon procedures will handle that.</p> <p>7 Similarly what documents will be fair game</p> <p>8 for this auditor in terms of doing the royalty audit?</p> <p>9 Let's don't argue about that after the fact, which I</p> <p>10 gather might go on now. Let's specify that ahead of</p> <p>11 time. Let's have agreed upon procedures to do it.</p> <p>12 Now, the industry expert could figure out</p> <p>13 maybe how to do this and draw up a rule book. But</p> <p>14 the CPA's already got the rule book on how to do it.</p> <p>15 And I'm not saying CPAs, with the AICPA rule book,</p> <p>16 are uniquely qualified to do this.</p> <p>17 You've probably never heard of a CMA,</p> <p>18 certified management accountant. They could probably</p> <p>19 do it too. You ever heard of a CIA? That stands for</p> <p>20 certified internal auditor. They have exams, and</p> <p>21 they have rule book. They might be able to do it</p> <p>22 too.</p> <p>23 But you've got the CPA now in your -- what</p> <p>24 do you call it, the statutes?</p> <p>25 BY MR. MILLS:</p>
3936	<p>1 not licensed.</p> <p>2 Maybe that's restricting entry, and maybe</p> <p>3 it isn't. But we say the person who's doing that hip</p> <p>4 replacement's got to be an MD. Well, that's because</p> <p>5 there's some training that goes on in medical school</p> <p>6 beyond doing the physical act of doing the hip</p> <p>7 replacement.</p> <p>8 Now, the thing that is I think important</p> <p>9 in this particular kind of audit is that the</p> <p>10 accountant, the CPA, has, as part of the rule book</p> <p>11 that goes with audits, something called an agreed</p> <p>12 upon procedure.</p> <p>13 If you're doing an audit of a royalty, the</p> <p>14 CPA knows, because it's part of our procedural book,</p> <p>15 to get the parties together ahead of time and agree,</p> <p>16 for example, on a standard materiality.</p> <p>17 We'll get to royalty. We know we don't</p> <p>18 need to get it exactly to the penny. That would cost</p> <p>19 a lot of money to get it exactly to the penny. Might</p> <p>20 have to spend a couple million dollars to do it.</p> <p>21 Maybe want to spend \$100,000 to get it to</p> <p>22 the nearest \$10,000 estimate. Or maybe want to spend</p> <p>23 only \$50,000 and get it to the nearest \$5,000</p> <p>24 estimate. Or maybe want to spend only \$10,000 and</p> <p>25 get it accurate within a \$20,000 estimate.</p>	3938	<p>1 Q. Regulations.</p> <p>2 A. Regulations. You got them in your regulations.</p> <p>3 Don't step back from that. They bring</p> <p>4 something useful to the party. They have to be a</p> <p>5 industry expert, but you don't need to say that in</p> <p>6 the regulation because part of our ethics, we're not</p> <p>7 going to take on that engagement unless we know what</p> <p>8 we're doing, unless we want to get the equivalent of</p> <p>9 disbarred. We don't call it disbarred. You say you</p> <p>10 lose your license, you lose your certification if you</p> <p>11 try to do a job like that and you're not qualified</p> <p>12 for it.</p> <p>13 So I think it would be a step backwards to lose</p> <p>14 the benefits that come with being a CPA.</p> <p>15 MR. MILLS: Okay. Thank you, Professor.</p> <p>16 No further questions from me.</p> <p>17 MR. POMERANTZ: Your Honor, we have</p> <p>18 probably 15 or 20 minutes of cross. I don't know if</p> <p>19 we want to wait until tomorrow morning or do it</p> <p>20 today.</p> <p>21 CHIEF JUDGE BARNETT: Let's do it.</p> <p>22 THE WITNESS: I've never seen a lawyer say</p> <p>23 20 minutes.</p> <p>24 MR. POMERANTZ: I'm not the one asking the</p> <p>25 questions. He is.</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3939	3941
<p>1 CHIEF JUDGE BARNETT: You've never seen 2 lawyers as good as these. 3 THE WITNESS: Okay. Bet you a nickel. 4 JUDGE STRICKLER: 20 minutes starts now. 5 THE WITNESS: Am I betting you too? 6 JUDGE STRICKLER: No. I don't want to 7 lose my certification. 8 CROSS-EXAMINATION BY COUNSEL FOR SOUNDEXCHANGE 9 BY MR. OLASA: 10 Q. Good afternoon, Professor Weil. 11 A. Hi. 12 Q. My name is Kuruvilla Olasa, and I represent 13 SoundExchange. 14 A. Which one of those is your last name? 15 Q. Olasa, O-L-A-S-A. 16 A. Mr. Olasa. Hi. 17 Q. Professor Weil, let's start with your opinion 18 on audits. And then I have a few questions here. 19 To be clear, in this case we're talking about 20 royalty audits, correct? 21 A. Yes, sir. 22 Q. And a royalty audit is different from a 23 financial statement audit, correct? 24 A. No question. 25 Q. Okay. And you would agree with me that, to an</p>	<p>1 Q. And would you agree that, unlike financial 2 statements audits -- 3 A. Excuse me. Let me ask you, Mr. Olasa, there is 4 a chapter in the fifth edition -- 5 Q. I'm sorry, Professor Weil. Your counsel will 6 be able to -- 7 A. Are you looking at the fifth edition or the 8 supplement that just came out? Let me just ask you 9 that. Because there's a new chapter on -- 10 Q. I'm looking at the supplement. 11 A. The one that just came out. 12 Q. The one that just came out. 13 A. Okay. Thank you. 14 Q. 2015 cumulative supplement. 15 A. Good. Good. Good. Okay. 16 Q. And you would agree that, unlike financial 17 statement audits, royalty audits can be performed by 18 a nonCPA if the contract allows it? 19 A. Yes. 20 Q. And you have not considered what the actual 21 marketplace contracts say about whether a CPA is 22 required, correct? 23 A. I'm sorry. I don't understand what you mean by 24 the marketplace contracts. 25 Q. Professor Weil, have you looked at the</p>
3940	3942
<p>1 accountant, financial statement audits involve 2 different rigors and standards than royalty audits? 3 A. Certainly generally accepted auditing standards 4 for financial statements do not apply to royalty 5 audits. So let me grant that part of your question. 6 "Rigor," I don't know what that means. The 7 royalty audit could be just as rigorous or less 8 rigorous or more rigorous than a GAAP audit. So 9 rigor is not defined in my jargon, in our technical 10 world. So I'm not sure of rigor. 11 Q. Professor Weil, are you the editor of the 12 Litigation Services Handbook? 13 A. Yes, sir. 14 Q. And is the title of that handbook "The Role of 15 the Financial Expert"? 16 A. Some editions are. I'm not sure which edition 17 you're looking at. 18 Q. Is there a fifth edition of -- 19 A. Yes, sir. 20 Q. -- the Litigation Services Handbook? 21 A. Yes, sir. 22 Q. Would you agree that, in contrast to financial 23 statement audits, royalty audits have a limited scope 24 and usage? 25 A. Yes, sir.</p>	<p>1 contracts between webcasters and record companies in 2 the market today? 3 A. I certainly have not studied them. I think 4 I've seen a couple, but I have not studied them. So 5 let me agree. I have not. 6 Q. Okay. So you don't know whether those actual 7 marketplace contracts require a CPA or not; is that 8 correct? 9 A. Yes. 10 Q. So you haven't performed the analysis? 11 A. Yes, I have not. 12 Q. So if the actual marketplace contracts provided 13 for a nonCPA to provide -- to perform the audit, that 14 would be acceptable, correct? 15 A. Certainly would be for that particular 16 contract. We've got a willing buyer and a willing 17 seller. Whatever they agree to is okay. 18 We're talking about the judges here setting 19 standards for about a thousand broadcasters that 20 range from mama-papa to the big ones like iHeart. 21 You have to apply to everybody. 22 Q. So I want to follow up on that last question. 23 Do you understand that the goal of this 24 proceeding is to establish rates and terms that most 25 clearly represent the rates and terms that would have</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3943	<p>1 been negotiated in the marketplace between a willing 2 buyer and a willing seller? 3 A. I could not have quoted those words precisely, 4 but that sounds like the understanding I have picked 5 up from the beginning of this. That sounds right. 6 Q. So if a willing -- so willing buyers and 7 willing sellers would negotiate rates and terms that 8 did not require a CPA, wouldn't that require these 9 judges to also not require a CPA? 10 A. If some willing buyers and some willing sellers 11 would do it, that would give you some evidence that 12 it was acceptable to those willing buyers and willing 13 sellers. But it doesn't tell you about a thousand of 14 them. 15 Q. And how would you tell whether a thousand 16 willing buyers and willing sellers would agree to not 17 require a CPA? 18 A. You'd probably want to survey them and ask 19 them. 20 Q. Would you want to look at many contracts 21 between actual willing buyers and willing sellers? 22 A. Or -- in addition to that, you might want the 23 ask the broadcasters. 24 Q. Have you asked a thousand broadcasters? 25 A. I have not asked any broadcaster. So no, I</p>	3945	<p>1 A. Yes. 2 Q. So you believe these allocation issues can be 3 avoid by sticking with the current per-play royalty 4 approach, correct? 5 A. Yes. But not uniquely the way to do it, but 6 that is a way to do it. 7 Q. Sure? 8 A. That's why I hesitated. Because I couldn't 9 figure out whether you were asking about uniquely or 10 a way. That's a way. 11 Q. And your testimony does not compare the 12 downside of a per-play royalty fee approach to the 13 downside of a percentage of revenue royalty approach, 14 correct? 15 A. Yes. It does not. 16 Q. And you did not consider whether it could be 17 difficult for the judges to set a single per-play fee 18 that works for all webcasters, correct? 19 A. You are right, yes. 20 Q. And you don't address whether the per-play fee 21 in SoundExchange's rate proposal would need to be 22 increased to account for removing the revenue prong, 23 as you suggest. 24 A. I'm sorry. Increase relative to the proposal, 25 or increase relative what it is today?</p>
3944	<p>1 have not. 2 Q. Let's move on to the revenue allocation topic, 3 Professor Weil. 4 So you believe that the judges should not set a 5 statutory rate based on the percentage of revenue, 6 correct? 7 A. I did not say that. What I said was they 8 should not set based on a percentage of revenue where 9 the revenue pot is defined the way the proposal from 10 SoundExchange is. 11 Q. Understood. 12 And that's because difficulties in allocating 13 revenues would arise; is that correct? 14 A. Well, and possibilities. Not difficulties. 15 More than difficulties. 16 Q. And you believe that those difficulties can be 17 avoided by using a per-play fee instead, correct? 18 Well, let -- 19 A. That's one way, yes. I hadn't thought about 20 that way. But yes, I think so. Those difficulties 21 would be avoided. 22 Q. Well, let me turn your attention to your 23 testimony on Page 5. 24 You see the sentence starting at Line 188? It 25 begins with "These allocation issues"?</p>	3946	<p>1 Q. Relative to the proposal. 2 A. I have not. There is no one today. So it may 3 be lower relative to one today. So as long as we're 4 clear. At any rate, I haven't considered what that 5 fee should be, up, down or sideways. 6 Q. So let me see if I can clean that up. 7 You haven't considered whether a per-play fee 8 should be adjusted if one were to remove the revenue 9 prong from a rate proposal; is that correct? 10 A. Correct. 11 Q. When you drafted -- 12 A. As a matter of theory, it almost certainly 13 would be. 14 Q. So as a matter of theory, a per-play rate would 15 certainly have to be adjusted if you were to remove 16 the revenue share prong? 17 A. Theory suggests in first principles it would 18 be. If it were right when it was the lower of two, 19 and you take away the other one, then it doesn't seem 20 -- it seems like this one would have to change. 21 Q. It would have to change? 22 A. Almost certainty. But that's just off the back 23 of an envelope kind of thing. Seems plausible it 24 would have to change. 25 Q. When you drafted your testimony, were you aware</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3947	<p>1 that Professor Lys had submitted written direct</p> <p>2 testimony in this case?</p> <p>3 A. I am -- you know, this is like Howard Baker.</p> <p>4 What did he know, and when did he know it. I know</p> <p>5 that Professor Lys had. He was -- I've known him</p> <p>6 since he was a graduate student. I do not know when</p> <p>7 I knew it. I know now that he did. I don't know</p> <p>8 when I learned that he did.</p> <p>9 Q. Did you consider Professor Lys's testimony in</p> <p>10 drafting your written direct testimony?</p> <p>11 JUDGE STRICKLER: You mean rebuttal</p> <p>12 testimony?</p> <p>13 MR. OLASA: Sorry.</p> <p>14 BY MR. OLASA:</p> <p>15 Q. Did you consider Professor Lys's written direct</p> <p>16 testimony in drafting your written rebuttal</p> <p>17 testimony?</p> <p>18 A. Am I allowed to ask my counsel whether I read</p> <p>19 it ahead of time?</p> <p>20 Q. Well, let me see if I can refresh your</p> <p>21 recollection.</p> <p>22 A. Okay. Did I refer to it in my report? Do I</p> <p>23 have it in a footnote? Do I have it in my documents</p> <p>24 referred to?</p> <p>25 It's a memory test mode? I don't remember.</p>	3949	<p>1 MR. OLASA: That's right, Your Honor. I</p> <p>2 did not --</p> <p>3 CHIEF JUDGE BARNETT: And the clerk is</p> <p>4 missing.</p> <p>5 MR. POMERANTZ: We'll do it tomorrow</p> <p>6 morning when --</p> <p>7 CHIEF JUDGE BARNETT: Okay. We'll assign</p> <p>8 the number tomorrow, and it will be admitted.</p> <p>9 MR. OLASA: Thank you, Your Honor.</p> <p>10 JUDGE STRICKLER: Is it part of his</p> <p>11 testimony already?</p> <p>12 MR. OLASA: It's not. It was provided to</p> <p>13 us by counsel, Your Honor.</p> <p>14 BY MR. OLASA:</p> <p>15 Q. Professor Weil, when you drafted your</p> <p>16 testimony, were you aware that Professor Lys had</p> <p>17 analyzed the benefits and risks of both a pure</p> <p>18 performance fee rate structure and a percentage of</p> <p>19 revenue rate structure?</p> <p>20 MR. MILLS: Objection, Your Honor. I</p> <p>21 think he just admitted --</p> <p>22 MR. OLASA: I withdraw the question.</p> <p>23 CHIEF JUDGE BARNETT: Thank you.</p> <p>24 BY MR. OLASA:</p> <p>25 Q. Professor Weil, when you were drafting your</p>
3948	<p>1 You're allowed to test my memory. I'm just saying we</p> <p>2 could be helpful --</p> <p>3 MR. OLASA: No. We don't need to do that,</p> <p>4 Professor Weil.</p> <p>5 Permission to hand to the witness --</p> <p>6 CHIEF JUDGE BARNETT: Certainly.</p> <p>7 THE WITNESS: I don't see it here.</p> <p>8 BY MR. OLASA:</p> <p>9 Q. So is it fair --</p> <p>10 A. And I told the truth. So I must not have</p> <p>11 looked at it.</p> <p>12 JUDGE STRICKLER: Can we identify the</p> <p>13 document that he says he can't see it on for the</p> <p>14 record.</p> <p>15 BY MR. OLASA:</p> <p>16 Q. Professor Weil, is this the list of documents</p> <p>17 considered in preparing your written rebuttal</p> <p>18 testimony?</p> <p>19 A. It is that. Yes, sir.</p> <p>20 MR. OLASA: Your Honors, I offer this</p> <p>21 document, which is the documents considered by</p> <p>22 Professor Weil, into evidence.</p> <p>23 MR. MILLS: No objection.</p> <p>24 CHIEF JUDGE BARNETT: It doesn't have a</p> <p>25 number.</p>	3950	<p>1 written rebuttal testimony, did you ask counsel to</p> <p>2 provide you with all relevant documents to your</p> <p>3 testimony?</p> <p>4 A. I can't recall whether I asked that question.</p> <p>5 Either -- I certainly don't know whether I asked it</p> <p>6 in those words. I don't know if I asked it in that</p> <p>7 form.</p> <p>8 Q. Would you have expected counsel to provide you</p> <p>9 with all relevant documents to your testimony?</p> <p>10 A. I am not certain that counsel would have</p> <p>11 provided all documents that you think are relevant.</p> <p>12 I think he would provide me with all documents he</p> <p>13 would think were relevant. And I'm not sure you two</p> <p>14 would agree.</p> <p>15 Q. Fair enough. Fair enough.</p> <p>16 Would you consider a document in which</p> <p>17 Professor Lys analyzed the benefits and costs of a</p> <p>18 percentage of revenue royalty structure to be a</p> <p>19 relevant document that you would have wanted to have</p> <p>20 considered when you drafted your rebuttal testimony?</p> <p>21 A. No.</p> <p>22 Q. You would not have wanted to consider that?</p> <p>23 A. That's correct. My assignment was to look at</p> <p>24 the SoundExchange proposal and to think about the</p> <p>25 percentage of royalty proposal. And that's what I</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3951	3953
<p>1 did. And I told you what's wrong with it.</p> <p>2 I was not asked to think about what is right or</p> <p>3 wrong with the fee per play. That's not part of my</p> <p>4 assignment. Had that been part of my assignment, I</p> <p>5 would have asked about the pros and cons of that.</p> <p>6 But I didn't do that.</p> <p>7 Q. If Professor Lys had analyzed the pros and cons</p> <p>8 of a percentage of revenue structure, would that have</p> <p>9 been relevant to your analysis?</p> <p>10 A. If he had analyzed the feasibility of doing it,</p> <p>11 I would have wanted to know about it. And I have</p> <p>12 since read his report. And I know what he did. And</p> <p>13 he didn't come close to thinking about the issues I</p> <p>14 thought about.</p> <p>15 He looked at contracts where he defined revenue</p> <p>16 as essentially the whole pot without any allocation</p> <p>17 problems. Most of the contracts he looked at were</p> <p>18 interactive services, not broadcasters with bundled</p> <p>19 things. And he did not look at cases that are</p> <p>20 relevant for these broadcasters.</p> <p>21 Now, I didn't see those before my report, but I</p> <p>22 have seen them since. So it would not have been</p> <p>23 informative.</p> <p>24 MR. OLASA: Your Honor, I move to strike</p> <p>25 the last response as going beyond the scope of</p>	<p>1 relevant to your analysis, correct?</p> <p>2 A. I don't know what you mean by "the context of</p> <p>3 the industry." I've looked at the kinds of bundled</p> <p>4 revenue that need unbundling. Is that context? I</p> <p>5 suppose. And I looked at over-the-air versus</p> <p>6 streaming and the fact that congress says there's no</p> <p>7 royalties on over the air --</p> <p>8 Q. Professor Weil, I have a different --</p> <p>9 A. So I'm just thinking out loud, sir, to answer</p> <p>10 your question. Is that context? I'm not sure what</p> <p>11 you mean. I think that's context, so it is relevant.</p> <p>12 And talk versus nontalk, I think that's context, so</p> <p>13 it's relevant.</p> <p>14 So maybe I shouldn't think out loud. But I</p> <p>15 think those three are context and, therefore, in that</p> <p>16 sense, relevant.</p> <p>17 If you mean something else, you have to tell me</p> <p>18 what you mean. Context is not a technical term in my</p> <p>19 jargon.</p> <p>20 Q. Let me direct you to Page 3 of your testimony,</p> <p>21 Line 111.</p> <p>22 Would you agree that, in considering the</p> <p>23 application of SoundExchange's proposed regulations</p> <p>24 to simulcasters, the context of the industry is</p> <p>25 relevant?</p>
3952	3954
<p>1 Professor Weil's written direct testimony -- I mean</p> <p>2 written rebuttal testimony.</p> <p>3 MR. MILLS: Your Honor, he asked him three</p> <p>4 or four times to talk about Professor Lys.</p> <p>5 CHIEF JUDGE BARNETT: It was an answer to</p> <p>6 your question. So we will not strike it.</p> <p>7 BY MR. OLASA:</p> <p>8 Q. Professor Weil, at the time of drafting your</p> <p>9 written rebuttal testimony, had you considered any</p> <p>10 contracts between record companies and simulcasters?</p> <p>11 A. That's one of these what did he know, and when</p> <p>12 did he know it questions.</p> <p>13 If it is not referred to in my report and not</p> <p>14 in my documents considered list, then no. That's a</p> <p>15 -- I don't think so, but I certainly have seen</p> <p>16 something.</p> <p>17 Q. So at the time you drafted your testimony, you</p> <p>18 didn't know whether the contracts in the marketplace</p> <p>19 were consistent with SoundExchange's rate proposal;</p> <p>20 is that correct?</p> <p>21 A. If I hadn't looked at them, then I could not</p> <p>22 know either way, consistent or inconsistent. If I</p> <p>23 didn't look at them, I know nothing about them when I</p> <p>24 wrote my report.</p> <p>25 Q. You believe the context of the industry is</p>	<p>1 A. Oh, yes. Okay. In this context, I see what I</p> <p>2 mean by context. Yes.</p> <p>3 Q. Aren't contracts a part of the context of the</p> <p>4 industry?</p> <p>5 A. As that word would be used by laymen, yes.</p> <p>6 That's not what I meant here, I can see. Yes.</p> <p>7 Context is not a technical word. And it certainly --</p> <p>8 there certainly would be an interpretation of that</p> <p>9 word that would include contracts.</p> <p>10 And line 112 I am thinking about hundreds of</p> <p>11 radio broadcasters that range in size. That's the</p> <p>12 context that I had in mind in writing that sentence,</p> <p>13 I can see.</p> <p>14 Q. Professor Weil, you testified that there is no</p> <p>15 uniquely correct way to allocate revenues between a</p> <p>16 company's business activities, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And when you say "uniquely correct," you mean</p> <p>19 that they may be multiple approaches but no reason to</p> <p>20 pick one over the other, correct?</p> <p>21 A. That's correct.</p> <p>22 Q. And allocating revenues is a general problem in</p> <p>23 accounting, correct?</p> <p>24 A. Sometimes.</p> <p>25 Q. And this problem is not unique to this context;</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3955	<p>1 it exists in many industries, correct?</p> <p>2 A. Yes.</p> <p>3 Q. Yet accountants are, in fact, often called upon</p> <p>4 to allocate revenues between business activities,</p> <p>5 correct?</p> <p>6 A. Certainly we have accounting principles to do</p> <p>7 it, but we are never called upon to do it in a fair</p> <p>8 way.</p> <p>9 JUDGE STRICKLER: Along those lines, you</p> <p>10 mentioned how, if it was attempted, you believe</p> <p>11 that -- you used a particular word -- but the parties</p> <p>12 might end up mired in litigation.</p> <p>13 THE WITNESS: I'm confident they would be.</p> <p>14 JUDGE STRICKLER: Have you seen, in your</p> <p>15 experience, that when parties anticipate and counsel</p> <p>16 for parties anticipate the potential for potential</p> <p>17 litigation, that one of the things they do is assign</p> <p>18 the auditor -- CPA auditor with the power to make the</p> <p>19 determination that will be binding upon the parties</p> <p>20 so that they avoid the transaction costs of</p> <p>21 litigation?</p> <p>22 A. I have seen that. But in the contracts that I</p> <p>23 have seen, they do even better than that. They</p> <p>24 define the pots that have the revenue in them. They</p> <p>25 don't go through this allocation. They say, "We</p>	3957	<p>1 you say you've seen it in their agreements -- say,</p> <p>2 "Despite the fact that there's no uniquely correct</p> <p>3 way to do it, we'll agree it's a mechanism to assign</p> <p>4 a CPA auditor with knowledge in the industry to make</p> <p>5 the determination. And we'll live or die by that</p> <p>6 particular individual's determination and treat the</p> <p>7 auditor as though he were an arbitrator."</p> <p>8 THE WITNESS: Right. But when that --</p> <p>9 JUDGE STRICKLER: You've seen agreements</p> <p>10 to the effect.</p> <p>11 THE WITNESS: Yes, I have. And I think,</p> <p>12 if that's going to happen here, it would need to be</p> <p>13 in your regulations that you get.</p> <p>14 You have to say who would pick it, what</p> <p>15 kind of person could do it. And I think that would</p> <p>16 need to be something that you folks figured out, not</p> <p>17 leave it to the parties.</p> <p>18 JUDGE STRICKLER: Right. Well, we set not</p> <p>19 only rates but terms, which is why you're sitting</p> <p>20 here today.</p> <p>21 THE WITNESS: Right.</p> <p>22 JUDGE STRICKLER: So to the extent we have</p> <p>23 the authority to set such a term -- you say you've</p> <p>24 seen such terms in the industry, and they're done in</p> <p>25 the ordinary course.</p>
3956	<p>1 define pot A to include this. We define pot B to</p> <p>2 include that." And the willing buyer and the willing</p> <p>3 seller agree on that. There's no allocation.</p> <p>4 The problem with the word "allocation," it has</p> <p>5 two meanings in lay language. There's the meaning</p> <p>6 that says assigned. We'll assign this revenue to</p> <p>7 this pot; we'll assign this revenue to that pot.</p> <p>8 That's a legitimate definition of the word</p> <p>9 "allocation."</p> <p>10 But when an accountant uses the word</p> <p>11 "allocation," we mean find a formula, find a theory,</p> <p>12 find a mechanism for doing a calculation that ends</p> <p>13 up.</p> <p>14 And in this proposal from SoundExchange, it</p> <p>15 doesn't mean assignment. It means a formula or a</p> <p>16 technique that would generally apply to the thousand</p> <p>17 broadcasters, that you crank in some numbers or run</p> <p>18 the algorithm, and out comes the numbers.</p> <p>19 That's what I mean by allocation that won't</p> <p>20 work.</p> <p>21 JUDGE STRICKLER: Because you say there's</p> <p>22 no one uniquely correct way to do it.</p> <p>23 THE WITNESS: And so there will be a</p> <p>24 fight.</p> <p>25 JUDGE STRICKLER: The parties can -- and</p>	3958	<p>1 THE WITNESS: About who would arbitrate</p> <p>2 the fight.</p> <p>3 JUDGE STRICKLER: Right. To avoid --</p> <p>4 THE WITNESS: And I would like more</p> <p>5 guidance for the people to start with than what's</p> <p>6 here. I just don't think this is workable.</p> <p>7 JUDGE STRICKLER: Well, you said that what</p> <p>8 was here -- by "here" we mean SoundExchange's</p> <p>9 proposal --</p> <p>10 THE WITNESS: Right.</p> <p>11 JUDGE STRICKLER: -- doesn't provide for a</p> <p>12 uniquely correct way to do it.</p> <p>13 And I think, in response to counsel's</p> <p>14 question, you said yes, there may be reasonable ways</p> <p>15 to do it, but people will differ over what they think</p> <p>16 is reasonable.</p> <p>17 If the parties agreed on the person to</p> <p>18 make that decision, haven't we avoided the</p> <p>19 transaction cost problem?</p> <p>20 THE WITNESS: Let me tell you about -- it</p> <p>21 says "According U.S. GAAP." Let me tell you what</p> <p>22 U.S. GAAP would say to do here. May I tell you?</p> <p>23 There is a U.S. GAAP guidance on this. And let me</p> <p>24 tell you what it says. This is in respect to the</p> <p>25 first two problems. It doesn't treat the third. You</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3959	<p>1 guys have got to deal with this third one.</p> <p>2 But U.S. GAAP says, when you have a</p> <p>3 multiple element contract like this bundle, there are</p> <p>4 three ways to deal with the separation of the</p> <p>5 bundling. You need to get to relative selling price</p> <p>6 first, to use something called VSOP, vendor specific</p> <p>7 objective evidence.</p> <p>8 Second way is to use something called</p> <p>9 third-party evidence, other people's prices.</p> <p>10 And at the bottom of the barrel is</p> <p>11 something called best estimate of selling price.</p> <p>12 That's the third choice. Best estimate of selling</p> <p>13 price is the technical way of saying, "I made it up</p> <p>14 myself." That's what I tell them. You make up the</p> <p>15 number yourself.</p> <p>16 And that's in Generally Accepted</p> <p>17 Accounting Principles. And one of the people in this</p> <p>18 room in their publicly -- 10-K says, "We do it, and</p> <p>19 we use best estimate of selling price. We made these</p> <p>20 numbers up ourself."</p> <p>21 So if we stick with this rule, and we get</p> <p>22 Generally Accepted Accounting Principles to tell us</p> <p>23 how to do it, and they choose the best estimate of</p> <p>24 selling price, and that is GAAP, and now we get</p> <p>25 somebody come in to say, "All right. Did they do it</p>	3961	<p>1 A. Okay. "Any basis for allocating advertising</p> <p>2 revenue between over-the-air and simulcast would be</p> <p>3 arbitrary."</p> <p>4 Q. And --</p> <p>5 A. And now let's stop there. Let me --</p> <p>6 Q. Well, Professor Weil --</p> <p>7 A. When an accountant uses the word "arbitrary" --</p> <p>8 JUDGE STRICKLER: He hasn't asked you a</p> <p>9 question.</p> <p>10 THE WITNESS: Well, I wanted to explain</p> <p>11 what arbitrary means when it got to accountants. It</p> <p>12 doesn't mean what layman means.</p> <p>13 JUDGE STRICKLER: You still have to play</p> <p>14 by the rules.</p> <p>15 THE WITNESS: Okay. All right.</p> <p>16 JUDGE STRICKLER: You can't just make it</p> <p>17 up.</p> <p>18 THE WITNESS: Okay. Thank you, sir.</p> <p>19 Please ask me what "arbitrary" means.</p> <p>20 BY MR. OLASA:</p> <p>21 Q. Professor Weil, by the word "arbitrary," am I</p> <p>22 correct in saying that -- when an accountant uses the</p> <p>23 word "arbitrary," am I correct in assuming that an</p> <p>24 accountant does not mean random or capricious?</p> <p>25 A. Oh, good. I couldn't have said it better</p>
3960	<p>1 according to GAAP?" "Yes, they did." SoundExchange</p> <p>2 is going to squeal like a stuck pig. They made those</p> <p>3 number up themselves. But it's according to GAAP.</p> <p>4 I think it is unworkable because Generally</p> <p>5 Accepted Accounting Principles say you can use</p> <p>6 numbers you made up yourself. Best estimate of</p> <p>7 selling price. I can show it to you in the</p> <p>8 regulations. I could show it to you in the 10-K of</p> <p>9 some people in this room.</p> <p>10 JUDGE STRICKLER: Thank you.</p> <p>11 BY MR. OLASA:</p> <p>12 Q. Professor Weil, I'd like to turn your attention</p> <p>13 to Page 8, Line 279.</p> <p>14 THE WITNESS: You can subtract my</p> <p>15 filibustering from the time on this bet, Your Honor.</p> <p>16 MR. OLASA: I just have a couple more</p> <p>17 questions.</p> <p>18 JUDGE STRICKLER: Maybe you want to double</p> <p>19 down.</p> <p>20 THE WITNESS: 279? Right. "Any basis."</p> <p>21 BY MR. OLASA:</p> <p>22 Q. You say: "Any basis for allocating" -- well,</p> <p>23 I'll let you read the sentence, Professor Weil.</p> <p>24 A. Out loud or to myself?</p> <p>25 Q. Out loud, please.</p>	3962	<p>1 myself. Sounds like you're quoting from my</p> <p>2 dictionary.</p> <p>3 Q. Is that right?</p> <p>4 A. That's correct. Thank you.</p> <p>5 Q. And does that mean that allocation of revenue</p> <p>6 is a matter of discretion but not random or</p> <p>7 capricious?</p> <p>8 A. Correct.</p> <p>9 MR. OLASA: All right. No further</p> <p>10 questions.</p> <p>11 CHIEF JUDGE BARNETT: Mr. Mills, anything</p> <p>12 further?</p> <p>13 MR. MILLS: Nothing further.</p> <p>14 CHIEF JUDGE BARNETT: Thank you, Professor</p> <p>15 Weil.</p> <p>16 THE WITNESS: Thank you.</p> <p>17 CHIEF JUDGE BARNETT: We are at recess</p> <p>18 until 9:00 in the morning.</p> <p>19 JUDGE STRICKLER: Tomorrow morning who</p> <p>20 are</p> <p>21 we starting off with? Do we know?</p> <p>22 MR. THORNE: Professor Doug Lichtman will</p> <p>23 be on the stand.</p> <p>24 JUDGE STRICKLER: Have you gentlemen come</p> <p>25 to an agreement as to which portions of the conjoint</p> <p>26 testimony --</p>

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

3963	3965
<div>1 MR. THORNE: Yes. He'll be primarily</div> <div>2 addressing Professor Rubinfeld's interaction</div> <div>3 benchmark and then the corroborative evidence, the</div> <div>4 Apple and 3E services.</div> <div>5 JUDGE STRICKLER: Give that to me one more</div> <div>6 time. Apple, the 3E, and what else?</div> <div>7 MR. THORNE: The interactive service</div> <div>8 benchmark that Professor Rubinfeld relies on. And</div> <div>9 that corresponds, if you look at the rebuttal -- the</div> <div>10 written rebuttal testimony, that's parts Roman</div> <div>11 numeral II, Roman numeral III, Roman numeral VI.</div> <div>12 JUDGE STRICKLER: And the supplemental --</div> <div>13 MR. THORNE: And then the supplemental</div> <div>14 rebuttal testimony on Apple and the 3E services.</div> <div>15 JUDGE STRICKLER: And we talked about</div> <div>16 going back to back if we got to --</div> <div>17 MR. THORNE: Professor Fischel and --</div> <div>18 JUDGE STRICKLER: Just Professor Fischel.</div> <div>19 Dr. Lichtman we're not going to do that.</div> <div>20 MR. THORNE: Correct.</div> <div>21 MR. POMERANTZ: And I think that's the</div> <div>22 only witness for tomorrow. We have not been notified</div> <div>23 of any other witness that's taking the stand</div> <div>24 tomorrow.</div> <div>25 CHIEF JUDGE BARNETT: That should more</div>	<div>1 CERTIFICATE OF COURT REPORTER</div> <div>2</div> <div>3 I, Bonnie L. Russo, do hereby certify that the</div> <div>4 foregoing transcript is a true record of the</div> <div>5 proceedings to the best of my ability, that I am not</div> <div>6 related to or employed by any of the parties involved</div> <div>7 in these proceedings, and, further, that I am not a</div> <div>8 relative or employee of any attorney or counsel</div> <div>9 employed by the parties hereto, or financially</div> <div>10 interested in the proceedings.</div> <div>11</div> <div>12</div> <div>13 _____</div> <div>13 Notary Public</div> <div>14</div> <div>15 My Commission Expires:</div> <div>16 May 16, 2016</div> <div>17</div> <div>18</div> <div>19</div> <div>20</div> <div>21</div> <div>22</div> <div>23</div> <div>24</div> <div>25</div>
3964	
<div>1 than do.</div> <div>2 THE WITNESS: Thank you for letting me</div> <div>3 finish today.</div> <div>4 JUDGE STRICKLER: I'm going to be thumbing</div> <div>5 through some things, so act as if I'm not here.</div> <div>6 (Whereupon, the proceeding was adjourned</div> <div>7 at 4:52 p.m.)</div> <div>8</div> <div>9</div> <div>10</div> <div>11</div> <div>12</div> <div>13</div> <div>14</div> <div>15</div> <div>16</div> <div>17</div> <div>18</div> <div>19</div> <div>20</div> <div>21</div> <div>22</div> <div>23</div> <div>24</div> <div>25</div>	

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 1

<u>\$</u>			<u>2</u>
\$10 3884:2	8 3735:19	14 3668:15 3729:9	2 3679:15 3727:6
3886:4,9,17,22,2	3737:7 3753:12	3730:21	3743:10,20
5 3890:24	3777:23 3778:1	14-PUBLIC	3776:18 3783:24
3891:8,11,21	3780:7	3668:8	3796:11
\$10,000	3785:12,14,15	14th 3723:22	3799:3,10
3936:22,24	3786:6,11	14-year-old	3821:14 3843:11
\$100,000 3936:21	3787:11 3788:3	3928:4	3844:3 3854:18
\$2.53 3884:3	3790:7 3792:24	15 3730:16 3734:5	2,006 3723:19
3891:7	3793:2 3835:2	3738:3 3819:3,4	2.0 3889:24
\$2.99	100	3833:7 3938:18	3890:12,14
3730:18,22,25	3825:8,13,16,20	15-CRB-0001-	2.53 3891:11
3733:6	3851:23	WR 3668:7	2.99 3731:12,17
\$20,000 3936:25	3859:2,8	16 3738:1 3777:12	3759:10
\$4.99 3730:7,15	3893:11	3818:6,7,8	20 3772:23
3733:21	10036 3669:11	3869:4 3965:16	3780:1,4,6,7,8
\$5 3727:19	10153 3669:7	1615 3669:20	3809:25 3852:21
\$5,000 3936:23	105 3808:21	17 3709:13	3864:21 3932:14
\$50,000 3936:23	10-K 3959:18	3724:15 3816:14	3938:18,23
\$60 3727:19	3960:8	3886:8,23	3939:4
\$8 3884:21	11 3739:5	3890:24,25	20006 3669:15,24
\$839 3879:7	3741:1,9,11	3891:1	3670:5
\$9.99 3728:20	3800:15,16	1717 3669:24	2002 3768:12
3729:12 3732:21	3801:3,7	1735 3672:8	3769:22 3770:9
3741:18 3757:15	111 3953:21	3776:23,25	3772:6,7,16
	112 3709:14	3777:1	2003 3772:5
	3954:10	1776 3669:15	20036 3669:21
	12 3741:3,8	3670:5	20037 3670:9
	3749:13	18 3709:14	2005 3674:20
	3756:2,7	3727:17 3740:13	3676:20
<u>0</u>	3757:10 3758:10	3777:12 3779:18	2006 3800:15
0in 3755:14	3773:17	3874:12	3801:3
	3778:3,8,10	188 3944:24	2007 3878:16
<u>1</u>	3779:24 3786:7	19 3754:3,6	2008 3674:23
1 3678:6 3679:5	3793:1 3861:18	3770:14 3779:17	2011 3672:8
3684:1	3863:12,20	1960s 3919:24	3674:24
3724:9,10	3866:10,23	3931:24	3677:1,5
3743:10,20	3928:5	1965 3918:12,15	3776:19 3777:14
3762:7 3813:1	12.2 3860:24	1977 3807:18	2012 3780:13
3815:6	12.5 3860:22	1994 3719:2	2013 3879:8
3898:13,22	12th 3769:3	1998 3720:16	2014 3674:17
3932:20	13 3723:23	1M 3678:23	3779:2 3780:1,3
1.7 3814:6	3748:24,25		
3815:12 3846:3	3749:19		
1:05 3806:14	3775:6,14,19,23		
10 3734:11,13,14,1	3776:6		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 2

2015 3668:15 3778:14 3791:8,12 3796:2 3941:14 2016 3965:16 2016-2020 3668:7 202-326-7992 3669:21 202-719-7008 3670:6 202-719-7453 3669:16 202-783-4141 3670:10 202-857-6000 3669:25 21 3727:16 3772:23 3791:2,7 3792:12 212-310-8000 3669:8 212-872-1000 3669:11 213-683-9107 3669:4 22 3809:25 3864:4 2257 3672:5 2267 3672:8 3777:22 3778:18,20,21 227 3771:7 2271 3779:1 2273 3780:12,16 3782:16 2276 3768:6,23 3770:8 2277 3771:9 2280 3756:9 2281 3749:18 2284 3672:6 3748:3,12	3750:15 3751:7,9,15 2285 3672:7 3748:5,12 3750:15 3751:8,9,15 23 3740:10 3777:11 3893:7,9,12 3894:20 2300 3670:8 24 3681:12 3778:4,10 3779:24 24-year-olds 3777:13 25 3777:5,11 3809:23 3857:25 3858:1,3 3893:16 3894:21 25th 3769:8 3868:12,16 27 3824:9 279 3960:13,20 28 3685:1 3708:14,15 29 3708:14,15 2nd 3723:21 <hr/> 3 3 3680:3 3683:4 3684:4 3728:7,22 3743:11,20 3767:7 3777:21 3821:14 3843:4,11 3953:20 30 3684:21,22 3685:8 3727:17 3730:23 3733:3 3758:25 3802:18 3850:23 3851:14 3858:4 3860:2,7,14	3868:14,15 3003 3922:20 30-day 3708:23 3220 3672:11 3679:5,8,9 3221 3672:12 3682:21,23,24 33,000 3819:1 34 3737:21 3775:6,23 3776:6 3777:11 34-year-old 3775:19 34-year-olds 3775:15 35 3885:10 355 3669:3 3639 3680:1 3668-3685 3668:8 3673 3671:3 3679 3672:11 3682 3672:12 3686 3671:4 3708-3711 3668:9 3709 3671:3 3717 3671:7 3717-3902 3668:9 3722 3672:3 3747 3671:8 3751 3672:6,7 3777 3672:8 3778 3672:5,8 3798 3671:7 3806 3671:11 3811 3672:15 3836 3671:11 3868 3671:11 3872 3671:14	3875 3672:15 3893 3671:14 39 3724:18 3917 3671:17 3917-3965 3668:10 3922 3672:16 3939 3671:17 3E 3963:4,6,14 3rd 3669:3 <hr/> 4 4 3682:12 3730:5 3743:12,15,21 3778:24 3799:7,12,16,17 3812:12 3853:25 3869:2,5 4.99 3730:12 3731:11 3732:25 3759:4 4:30 3934:11 4:52 3964:7 40 3732:12 400 3669:20 4011 3672:16 3921:14 3922:7,9,10 4012 3672:15 3810:18,20 3811:8,10,11 4013 3672:15 3873:9 3875:11,21,23,2 5 42 3733:7 3759:11 43 3813:2 3834:24 3835:15 3857:6 3861:13 44 3724:19 45 3685:1,8 3727:13 3733:8
---	--	---	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 3

3918:21	3790:17	80/20 3727:22	3858:10 3965:5
45-day 3684:19	5th 3791:8	80s 3726:2,7	able 3676:9
46 3740:4 3741:9		85 3931:25 3932:2	3744:7 3815:12
3743:12 3745:15	<u>6</u>		3818:13 3824:6
468 3833:18	6 3729:11	<u>9</u>	3835:5 3839:7
3842:2,5	3732:4,11	9 3733:2,14	3862:12 3865:7
	3757:4,8,18	3738:4,8	3868:4 3882:13
<u>5</u>	3817:20	3756:15 3759:16	3937:21 3941:6
5 3678:16,22	6,000 3819:2	3768:15 3771:8	Ablin 3669:14
3709:7 3780:10	60 3730:24	3789:9 3833:20	3670:4 3671:11
3796:2 3813:9	3812:25 3834:17	3854:1 3857:22	3806:23,25
3842:18,19	3868:3,7	3866:24 3867:16	3807:7,8
3843:6 3849:23	69 3778:10	3883:4 3884:24	3810:3,8,9
3869:12 3878:21	6D 3743:19	9.6 3758:12,15,20	3811:7,13
3944:23	3744:22	9.99 3731:9,14	3817:19 3820:12
5.6 3848:23	6I 3743:22	9:00 3962:18	3823:9 3826:4
3849:3,4 3861:3		9:06 3668:18	3827:14 3830:25
50 3868:1,2,4,5	<u>7</u>	90 3825:24	3836:11 3838:24
50/50 3932:12	7 3676:2 3730:11	3845:19	3843:1,23
500 3818:19	3732:4,24	90071 3669:4	3844:1 3868:25
5021 3672:3	3734:4 3758:25	90s 3726:2,7	3870:18 3872:5
3722:4,17,20,21	3783:19 3820:13	95 3783:22	above-entitled
50-odd-plus	7.2 3861:1	3799:22 3812:23	3668:17
3684:14	700 3670:9	96 3729:2	absence 3871:12
50s 3918:4	70s 3726:8	99 3731:12	absent 3888:19
50th 3867:23	767 3669:7	3932:20	absolute 3853:6
52.7 3860:19	77 3778:6	9A 3728:12	absolutely
5289 3779:8	7D 3743:22	9-A 3756:25	3726:9,23
54 3812:25	3744:21	3759:19 3764:18	3737:9 3852:10
3834:17	7H 3742:14	3783:2,10	academia
55 3779:24	7-H 3753:13	3794:17	3809:2,9
3927:23	3787:1	9-B 3759:19	academic 3809:1
3928:9,22		9-C 3756:25	accelerate 3675:18
57 3790:17	<u>8</u>	3759:20 3764:18	accept 3749:9
3812:22	8 3732:4 3733:5	3783:3,10	3758:18 3762:4
3834:7,10,15	3742:15 3759:7		3882:1
3835:12,16	3766:20	<u>A</u>	acceptable
3836:6,9	3768:5,7,15	a.m 3668:18	3942:14 3943:12
3857:5,7	3787:1 3827:15	A-1 3773:23	accepted 3882:2
3861:13	3960:13	A-2 3774:3	3924:22 3930:14
57.2 3834:7	80 3758:3 3833:16	ability 3761:22	3940:3
58 3790:13	3920:23,24	3762:23 3764:11	3959:16,22
59 3730:24	3932:13		3960:5
			access 3723:13
			3728:14,17

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 4

3738:10 3759:22 3760:2,20 3817:7 3871:15 accord 3923:19,20 3924:22 according 3831:21 3958:21 3960:1,3 account 3708:7 3945:22 accountant 3936:10 3937:18 3940:1 3956:10 3961:7,22,24 accountants 3919:7 3925:25 3955:3 3961:11 accounting 3674:4,6 3675:4,6 3676:5 3918:18 3919:8 3920:4,7,10,11,1 2,14 3921:7 3923:20 3924:4,22 3925:15,19,22 3926:3,10 3930:2,14 3933:12 3954:23 3955:6 3959:17,22 3960:5 Accumulo 3683:14 accurate 3810:24 3817:3 3936:25 accurately 3751:20 achieve 3751:24 achievement 3808:14 acknowledged 3931:3 acknowledges 3934:6	acquisition 3677:7 across 3681:6 3728:8 3826:17 3844:22 3847:10 3848:3,4 3849:19 3887:21 3899:20 act 3856:14 3936:6 3964:5 actions 3874:3 active 3732:2 3758:3,6,8,11 activities 3797:3 3853:21 3954:16 3955:4 actual 3748:2 3839:16 3843:2 3941:20 3942:6,12 3943:21 actually 3680:18 3681:2,5 3683:12,15,20,2 5 3684:6,9,12,13,1 5 3708:7 3725:18 3728:8,25 3732:12 3742:18 3760:13 3769:18 3779:17 3790:12 3792:24 3815:20 3819:7 3832:9 3833:8 3842:25 3853:4 3858:21 3859:16 3863:2 3867:3 3868:17 3873:8 3877:20 3886:25 3929:19 ad 3789:20 3804:7 3823:25 3929:8,11,12 3930:24 add 3825:16,20 3851:19,23 3861:21 3879:20	3885:3 added 3769:10 3793:22 3794:22 3797:1,2 3885:2,3 adding 3769:8 addition 3676:12 3943:22 additional 3708:3 3724:3 3863:14 address 3849:25 3929:6 3930:18 3945:20 addressed 3882:18 3902:17 addressing 3874:21 3963:2 ad-free 3763:14 adjourned 3964:6 adjusted 3897:20 3898:7 3928:17,19,25 3931:7 3946:8,15 adjustment 3876:16 3887:8,12,16 3888:10,21 3889:5,18 3892:19 3898:1 3900:25 administer 3831:19 administering 3738:25 administration 3918:9 admission 3750:20 3768:22 3771:11 3776:23 3778:17 3779:5 3780:15 admit 3679:5 3771:25	admitted 3672:1 3679:8,9 3682:23,24 3722:20,21 3751:10,16 3776:25 3777:2 3778:20,22 3779:9 3811:10,11 3875:24,25 3922:9,10 3949:8,21 admittedly 3832:11 3849:11 admitting 3779:12 adopt 3837:20 adopting 3776:3 adoption 3720:21 ads 3929:15,24 3933:20 ad-supported 3883:11 3884:23 3886:20 advantages 3814:18 advertise 3761:17 3762:1 3763:14,23 3764:6,15 advertisement 3861:3 3929:20 advertisements 3733:24 advertiser 3929:9 advertising 3763:3,11 3848:23 3849:2,5,11 3854:24 3930:25 3961:1 advice 3920:9 advise 3920:8 advisory 3920:5 affect 3753:2
---	--	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 5

3803:20	3936:11	3955:25	3812:4 3823:22
affected 3855:8	3937:6,11	3956:3,4,9,11,19	3834:14 3840:16
affiliated 3920:18	3958:17	3962:5	3847:10,16
affiliation 3918:14	agreed-upon	allow 3728:15	3848:16,18,19
afraid 3851:12	3769:5	3760:11 3826:12	3849:15,17
afternoon	agreement	3828:8 3850:22	3850:11 3853:11
3806:22,23	3682:17	allowable 3678:1	3854:7,25
3807:1,2	3709:10,13	allowed 3824:19	3857:4 3865:4,7
3816:12,13	3710:14,15,17	3854:3,10	3868:9 3876:17
3836:22,23,24	3962:24	3947:18 3948:1	3881:24
3855:23 3872:25	agreements	allows 3680:17	3893:9,13
3873:1 3878:10	3674:14 3682:18	3814:9 3833:18	3900:20 3901:8
3893:4,5	3709:21	3941:18	3902:18 3917:14
3917:12 3923:21	3957:1,9	alluded 3744:19	3927:10 3928:3
3929:13 3931:13	Ah 3857:9	already 3709:24	3934:20 3939:5
3939:10	ahead 3718:1	3728:24 3729:3	3947:3,18
afterwards 3937:5	3747:5 3831:18	3730:13,19	3950:10 3954:10
against 3774:23	3833:6 3880:9	3732:10	3961:21,23
3795:14 3874:18	3934:10 3936:15	3733:17,18	3965:5,7
age 3724:1	3937:1,3,5,10	3736:25 3740:19	AM/FM 3787:4
3773:24	3947:19	3756:9,11	3827:8 3837:13
3774:3,4,7,11,18	AICPA 3937:15	3757:12	3838:4,25
,22,24	air 3681:20 3682:1	3759:2,8	ambiguous
3775:5,9,13	3930:5,7,9	3779:8,11	3842:15
3776:4,15	3953:7	3790:20 3793:18	amended 3679:22
3777:7,17,20	AKIN 3669:9	3794:20,24	3769:3
3778:2,11	Alabama 3918:4	3795:12	America 3669:10
3779:19,24	alarm 3801:24	3822:23,25	3720:6,7
3780:5	albums 3727:10	3828:16 3832:25	American 3808:15
3781:20,25	3728:15	3835:8 3839:25	3919:23
3782:2,8,23	3760:11,14,16	3841:13	Americans
3783:1,9,17,21	algorithm 3956:18	3847:17,18	3723:23
3800:3,24	allocate 3680:18	3848:12 3856:4	America's
3801:5,14	3821:7 3849:16	3865:11 3937:14	3717:11
3818:6 3819:13	3850:9	3949:11	among 3732:6,25
ages 3723:23	3932:7,11	altered 3679:21	3733:1,5,9
3776:3 3818:6	3954:15 3955:4	alternative	3737:16,18
aggregators	allocating 3944:12	3742:24 3821:20	3741:3 3745:9
3881:7	3954:22 3960:22	3857:12	3775:5 3779:23
ago 3674:1	3961:1	alternatives	3783:23
3812:21 3853:16	allocation	3744:2 3821:21	3787:10,11
3871:16 3899:3	3680:12,17	3828:4 3847:17	3827:24 3847:17
3919:17	3919:20,24,25	am 3717:10	amount 3740:12
agreed 3800:8,10	3944:2,25	3718:25 3739:14	3764:24 3765:4
3844:23	3945:2 3951:16	3743:24 3758:22	3766:4 3771:3
3861:2,4		3769:18 3771:11	3773:7 3828:22
			3831:22 3879:13

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

Page 6

<p>3929:10</p> <p>amounts 3764:20 3766:8 3879:17</p> <p>analyses 3732:1 3747:15 3874:5</p> <p>analysis 3675:5 3730:3 3740:25 3767:23,25 3784:4 3832:24 3833:1 3858:11 3874:3,5 3876:8,12 3877:1,9,13,15 3878:25 3881:4,10,23 3882:2,3 3885:21 3887:7 3888:5,9 3897:13 3898:3,22 3900:21,23 3942:10 3951:9 3953:1</p> <p>analyze 3732:22 3733:11 3747:23 3811:22 3840:7 3876:5,8 3878:3</p> <p>analyzed 3949:17 3950:17 3951:7,10</p> <p>anchor 3844:24 3845:1,2 3850:1 3852:5,8,16,18 3859:8</p> <p>Anderson 3807:15 3808:10</p> <p>Angeles 3669:4</p> <p>Angstreich 3669:19 3671:3 3673:12,16 3676:1,11 3677:24 3678:3,4,21 3679:4,11,25 3680:2 3682:20 3683:1,2 3685:10</p>	<p>3709:1,2,6 3710:1,11,19,22</p> <p>Anjan 3670:17</p> <p>announcements 3813:6</p> <p>announces 3869:14</p> <p>annually 3720:16</p> <p>answer 3726:14 3733:8 3735:18 3736:9 3740:24 3743:13 3753:7 3769:14 3771:20 3797:3 3802:24 3819:16 3820:25 3822:3 3828:8,21,25 3831:25 3847:23,24 3852:3 3853:15,23 3856:2,3 3864:3 3866:11 3868:4 3952:5 3953:9</p> <p>answered 3749:14 3750:3 3752:22 3800:11 3831:21 3851:3,15 3867:20</p> <p>answering 3745:15 3752:18 3800:10 3852:7</p> <p>answers 3728:7 3743:9 3744:1 3753:2 3805:13 3819:17 3826:18 3828:22 3851:4 3863:16 3865:8 3871:4</p> <p>anthems 3933:9</p> <p>anticipate 3955:15,16</p> <p>anticipated 3880:18</p> <p>antitrust</p>	<p>3874:2,3,4</p> <p>Antonio 3674:7</p> <p>anybody 3748:17 3789:13 3831:14 3850:22 3931:21</p> <p>anybody's 3769:4</p> <p>anyone 3685:12 3730:19 3733:15 3735:20 3739:5,8 3741:4 3746:21 3902:21</p> <p>anyplace 3773:11</p> <p>anything 3760:23 3761:5,22 3762:22 3763:9 3764:1,11 3797:8 3802:1 3831:4 3843:24 3844:3 3855:5 3861:16 3877:9 3888:1 3925:14 3962:11</p> <p>anyway 3725:7 3891:19 3925:9</p> <p>anywhere 3844:9 3856:25</p> <p>apart 3774:18,22,24 3929:24 3930:6,12</p> <p>apologies 3754:24 3773:19 3779:10 3780:8 3879:22</p> <p>apologize 3754:24 3867:20</p> <p>appear 3709:12 3749:6,17,20 3779:3 3781:15 3863:22 3892:6 3921:23</p> <p>APPEARANCES 3670:1</p> <p>appeared 3873:4</p> <p>appears 3771:5</p>	<p>3787:3</p> <p>appendices 3722:13 3922:2</p> <p>appendix 3810:25 3843:4,11 3844:3 3853:25 3869:2,5 3873:7</p> <p>Apple 3900:7 3963:4,6,14</p> <p>apples 3865:4</p> <p>application 3821:25 3953:23</p> <p>applications 3926:11</p> <p>applied 3873:24 3874:25</p> <p>apply 3926:15 3940:4 3942:21 3956:16</p> <p>applying 3844:20</p> <p>approach 3795:22 3814:9 3821:20 3892:18 3945:4,12,13</p> <p>approaches 3954:19</p> <p>appropriate 3769:7 3815:1 3822:8 3823:7</p> <p>approximately 3727:8 3808:21 3809:23 3818:25 3819:1 3884:21 3885:6,10 3889:23</p> <p>arbitrary 3680:13,23 3961:3,7,11,19,2 1,23</p> <p>arbitrate 3958:1</p> <p>arbitrator 3957:7</p> <p>Arbitron 3768:6,11</p>
--	---	--	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 7

ardent 3845:20	3951:4 3956:15	3849:2 3922:25	3939:18,20
area 3674:8	assignments	3923:15	3940:1,2,5,23
3681:4 3805:2	3834:13	3928:21,25	3941:2,17
areas 3719:9	assistance 3813:11	3931:7	Austereo 3720:5
3808:1 3816:20	assistant	attribute 3821:8	Australia 3720:4
3832:11	3674:21,25	attributed	authenticity
aren't 3935:18	Associated	3838:20	3750:13
3954:3	3719:12,20	attributes 3818:11	authored 3768:11
ARENT 3669:23	Association	3821:6 3823:21	3769:13
argue 3937:9	3669:12 3808:15	3824:9,10	authority 3957:23
argument 3889:16	3917:20	3827:4	availability
arise 3681:10	assume 3749:23	audience 3865:25	3760:24
3944:13	3775:22 3788:16	3866:3 3871:18	3761:1,6,17
arising 3798:11	3842:4 3846:20	3932:1	3762:2
arrive 3868:3	3847:8 3851:16	audio 3719:15	3763:4,6,14,23
article 3879:7,10	3860:10 3866:3	3720:9,21	available 3733:13
3899:9,13,21	3880:14 3894:11	3721:6,8 3723:9	3734:25 3735:1
articles 3808:22	assumed 3730:9	3728:21 3731:1	3737:8 3761:11
3919:4,5	3825:9	3735:21	3788:15
artifact 3745:17	assuming 3961:23	3736:1,21	3804:13,19
artists 3761:7	assumption	3738:21 3739:17	3894:7
ASCAP 3874:22	3848:7,8	3740:5,9	Avenue 3669:3,7
aspects 3803:1	3856:16 3890:10	3743:15 3746:1	average 3727:19
3809:17 3920:14	assumptions	3764:3,12	3812:23,24
3922:23 3931:6	3842:6	3791:9	3813:3 3826:17
assemble 3815:12	assurance 3683:19	audit 3681:1,2,3	3834:14,15
asserted 3769:16	attached 3722:13	3736:7	3840:22,25
assertion 3749:9	3724:8 3794:14	3920:20,21	3846:15 3848:22
3762:4 3794:21	attempted	3921:1 3923:4	3860:19 3882:8
assertions 3767:8	3955:10	3934:21	3884:3,4,6
assign 3825:4	attended 3748:18	3935:6,7	3886:5
3835:21 3858:22	attention 3680:11	3936:9,13	3887:13,14,20
3949:7 3955:17	3722:2 3724:6	3937:4,8	3891:17 3900:17
3956:6,7 3957:3	3734:11 3772:23	3939:22,23	3901:3 3902:1,5
assigned 3811:23	3779:14	3940:7,8	Averages 3860:25
3858:6 3956:6	3823:23,24	3942:13	avid 3728:1
assigning 3869:21	3824:1 3869:2	auditable 3681:7	avoid 3745:9
assignment	3944:22 3960:12	audited 3937:2	3845:16 3945:3
3767:7 3812:6,7	attitudes 3815:3	auditing 3920:14	3955:20 3958:3
3820:17 3823:15	attorney 3965:8	3940:3	avoided
3876:3,5,10	attorneys 3710:21	auditor 3937:8,20	3944:17,21
3922:20 3950:23	attractive 3816:7	3955:18	3958:18
	attributable	3957:4,7	avoids 3845:24
		auditors 3925:25	3871:22
		audits 3926:2	award 3808:9
		3936:11	

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 8

3820:10,11	3682:23 3685:12	based 3738:21	3917:1 3944:25
awards	3709:1	3782:23 3788:3	begs 3891:18
3808:5,8,13	3710:3,10,19	3790:10 3801:17	behalf
aware 3710:20	3717:10,20	3820:8 3838:8	3669:2,5,12,17,2
3758:22	3718:2,9,14	3846:22 3848:25	2 3670:2,7
3796:5,9	3721:21 3722:20	3853:11 3854:7	3798:7 3874:16
3798:11 3806:5	3746:4,6,12,15	3856:20 3857:5	3926:22
3823:15 3837:15	3747:3	3860:14 3864:12	behavior
3892:20 3895:11	3748:6,22	3886:9,11	3855:8,21
3896:13,21	3750:24	3887:16	3856:1,17
3900:4,7	3751:2,9	3888:10,25	behaviors 3815:3
3946:25 3949:16	3756:12	3889:5,8 3902:6	behind 3749:18
away 3759:14	3769:14,21,24	3923:14	3768:5 3776:18
3803:14 3923:24	3770:15	3944:5,8	3778:24 3780:10
3946:19	3771:15,18,22	basic 3845:14	3844:3 3873:8
axis 3884:25	3772:2,7,9,11	3895:9	3875:10 3921:16
	3776:25 3778:20	basically 3677:17	Belgium 3807:22
	3780:22,25	3781:22	belief 3895:4
<u>B</u>	3781:13	3816:6,8	believe 3675:22
bachelor's	3782:3,9,15,18	3818:22 3822:15	3752:13 3753:14
3873:17 3918:5	3795:7,24	3824:3 3832:25	3754:16 3758:8
background	3797:25 3802:22	3858:11 3882:13	3762:20 3765:15
3678:1 3807:20	3805:17	basis 3777:8,12	3769:4 3772:17
3823:16 3873:16	3806:9,11,16,22	3780:6 3797:15	3784:19 3789:11
3918:1	3807:4 3810:6	3802:19 3932:21	3790:22 3792:2
backwards 3925:2	3811:10 3836:16	3960:20,22	3798:19 3808:12
3938:13	3843:21	3961:1	3809:22 3810:14
bad 3789:2 3864:4	3872:6,9,12,17	bearing 3811:5	3814:6 3818:25
Baker 3947:3	3875:2,23	beauty 3846:14	3826:24 3832:1
ball 3793:11	3893:1 3902:21	became 3768:17	3833:2 3851:14
Baltimore	3917:4 3921:9	become 3675:12	3877:12 3889:7
3933:5,6,7	3922:9 3934:10	3717:14 3815:23	3894:10,14
Bank 3669:10	3938:21 3939:1	3830:14 3871:14	3895:25 3896:15
banker 3677:11	3948:6,24	becomes 3826:19	3944:4,16
bankers 3677:10	3949:3,7,23	becoming 3790:25	3945:2 3952:25
bankrupt	3952:5	3791:23	3955:10
3921:3,4	3962:11,14,17	begin 3746:16	believed 3849:1
banner 3929:12	3963:25	3800:23 3807:5	believes 3894:12
BARKER 3670:8	barrel 3959:10	3814:7 3851:20	belong 3824:12
BARNETT	base 3729:16	beginning 3720:19	benchmark
3668:21	3735:23	3723:20 3795:17	3963:3,8
3673:4,14	3736:6,20	3798:6 3818:24	benefits 3938:14
3676:10 3677:25	3758:7,9,11	3842:17 3853:10	3949:17 3950:17
3679:3,8	3775:14,25	3943:5	Benjamin 3670:21
	3814:4,5,7	begins 3708:1	
	3815:20,22	3717:1 3843:6	
	3838:10 3846:3		
	baseball 3933:4		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 9

besides 3835:24	3827:16 3833:21	3920:2	3719:14,18,24
best 3719:10	3835:2 3836:15	3936:10,14	3721:5 3723:13
3725:15 3727:10	3844:2 3869:3	3937:13,14,15,2	3814:4,7 3846:3
3808:12 3810:23	3873:7	1	broadcast 3721:8
3856:14 3871:6	3921:12,13	books 3673:6	3740:11
3875:13	binders 3872:15	3808:23 3919:4	3925:12,15,20
3959:11,12,19,2	binding 3955:19	born 3896:8	3926:13 3928:14
3 3960:6 3965:5	bit 3732:15 3733:1	bother 3779:12	3929:25
bet 3939:3	3734:17 3812:13	3848:1	3930:5,11
3960:15	3813:8	bottom 3709:14	3933:17,21
better 3685:5	3830:9,16	3772:24 3790:6	broadcaster
3839:8 3889:25	3834:1 3853:19	3830:8 3868:20	3841:16
3892:1 3930:8	3861:19 3863:24	3928:13 3959:10	3929:8,22
3932:25 3935:23	3866:13 3925:21	bought 3900:4	3937:2 3943:25
3955:23 3961:25	black 3678:25	BOUND 3685:16	broadcasters
betting 3939:5	3722:2 3921:12	3711:2 3902:25	3669:12 3670:2
beyond 3675:23	Blackburn 3779:9	box 3854:18	3824:3 3893:16
3677:21 3780:18	3877:12,14	3871:24,25	3917:20 3925:22
3806:8 3936:6	3879:6 3895:21	break 3685:6	3926:23
3951:25	3897:15,23	3774:18 3776:14	3927:10,13
bias 3744:1	3898:24 3899:10	breakdown	3942:19
3745:10 3814:12	Blackburn's	3775:13 3777:7	3943:23,24
3828:3,5	3876:6,20,24	3778:2 3779:19	3951:18,20
3829:12,18	3877:24	3857:20	3954:11 3956:17
biased 3793:17	3878:2,22	breakdowns	broadly 3720:12
3864:18	blame 3679:2	3777:17	broken 3737:7
biases 3793:14	blank 3825:9	breaking 3774:21	brought 3813:24
biggest 3681:18	blast 3929:15	breakout 3783:2	BRUCE 3669:6,13
3737:20,22	block 3861:24	bridge 3809:8	Bryant 3669:10
3740:4	blue 3737:21	brief 3925:10	3796:3
billing 3681:19	3933:8	briefly 3674:2	budget 3675:5
bind 3766:20	BMI 3874:22	3675:1 3680:14	3859:15
3786:7	board 3668:2	3683:7,10	build 3676:21
binder 3678:6	3920:7,10,11,12,	3747:11 3797:24	3928:12
3679:15 3680:3	22	3808:18 3832:13	bullet 3680:7
3709:7 3722:2	boards 3919:8,11	3873:15 3925:17	3683:11 3796:13
3748:6,8,25	3920:5,6,9,15,20	bring 3710:18	bullets 3683:6
3749:12,13	,21,23	3762:7 3934:25	3831:2
3754:4,20	bones 3851:9	3938:3	bundle 3959:3
3756:2,8	Bonnie 3670:24	brings 3812:24	bundled 3951:18
3766:21 3776:18	3965:3	3925:5 3934:24	3953:3
3777:22 3786:8	book 3793:1	3935:1,4	bundling 3929:8
3791:2 3793:1	3808:23	broad	3930:2 3959:5
3810:14 3811:15	3919:18,19		business
3812:13 3813:10			
3817:21 3820:14			

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 10

3676:4,16 3727:24 3925:21 3926:7,9 3954:16 3955:4 businesses 3676:21 3677:16 3727:25 3896:8 button 3822:16 buy 3787:19,24 3788:1,16 buyer 3942:16 3943:2 3956:2 buyers 3943:6,10,12,16, 21 buying 3740:18 3788:6,7,9,13 <hr/> <div style="text-align: center;">C</div> <hr/> calculate 3684:3 3784:13 3798:20 3800:16 3878:14 3882:13 3902:11 calculated 3784:7,16,21,22 3798:24 3897:15 3898:20 3901:24 3902:4 calculating 3892:18 calculation 3784:9,20 3900:24 3956:12 calculations 3897:25 calculator 3800:18 California 3669:4 3873:18 3919:2 Cambridge 3809:7 Canada 3933:8,10,14,16 cancel 3793:16	3794:4 3795:1 cancellable 3793:13,22 3794:22 3797:18 cancellableness 3795:2 cancellation 3794:8,14 cannibalization 3876:9 cap 3789:24 capable 3935:23 Capital 3670:24 capricious 3961:24 3962:7 captured 3683:20 3824:18 capturing 3850:12 car 3855:23 care 3924:8 career 3808:3,14,20 3809:4,13,17 3920:1 careful 3821:11 3827:5 3853:19 3866:13 carefully 3845:4 3864:24 Carnegie 3918:7,8 case 3717:8 3728:2 3730:19 3734:15 3744:5 3758:8 3767:10 3769:10 3784:18 3789:8 3801:20,23 3814:5 3816:1 3829:5,9 3832:6 3839:11 3877:5 3885:18 3886:17 3896:14 3898:25 3921:20 3926:20,24	3932:24 3933:1,25 3934:1 3939:19 3947:2 cases 3744:4 3790:21 3801:21 3809:21,23,25 3813:16 3832:4 3874:10 3923:1 3951:19 cash 3929:10 3930:25 cached 3816:9 categorical 3829:8 categories 3740:23 3753:7 3787:2 3821:13,15,16 3824:15 3825:5 3829:4 3830:19 3854:3,11 3858:7 3862:10 3864:20,25 3868:16,20 3878:5 3899:21 category 3730:10,20 3812:1 3825:1 3828:9 3829:24 3847:22 3854:16 3858:2 3861:7 3862:15,16 cause 3680:25 caution 3684:23 CD 3677:15 CDs 3727:9 3735:12 3737:24 3739:14 3740:12,16,18,1 9,20,22 3787:24 3788:1,7,14 3803:15,20 3804:2 3928:16 cease 3738:22 ceased 3785:5 Celine	3933:14,19,25 cell 3723:24 Center 3754:7 3755:4,7 Center's 3754:8 cents 3731:12 3893:7,9,12,17 3894:20,21 certain 3744:4 3767:8,9 3771:11 3794:12 3811:23 3821:11 3845:18 3871:3 3889:18 3923:1 3950:10 certainly 3726:16,19 3727:23 3736:22 3737:8 3745:11,20 3751:23 3753:4 3761:15 3770:11 3777:19 3794:16 3859:9 3870:14 3888:15 3897:13 3901:5 3927:15 3940:3 3942:3,15 3946:12,15 3948:6 3950:5 3952:15 3954:7,8 3955:6 certainty 3946:22 certificate 3685:14 3902:23 3965:1 certification 3938:10 3939:7 certified 3901:8 3937:18,20 certify 3965:3 cetera 3819:18 3824:5 3831:15 3858:21 3870:7 CFO 3673:24 chain 3793:11
--	---	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 11

challenge 3744:9	checks 3683:19	3823:5 3830:4	3755:4 3899:10
change 3673:25	3684:8 3854:18	3847:18	cites 3879:6
3736:20 3783:18	Chicago	3848:8,13	claim 3870:13
3793:18,19,20	3918:11,15	3856:9	3878:2
3803:24	CHIEF 3668:21	3886:20,22	claiming 3879:7
3804:1,4,8,14,25	3673:4,14	3924:14 3959:12	clarification
3831:4 3887:2	3676:10 3677:25	choices 3742:24	3821:1
3923:4	3679:3,8	3744:21 3745:1	class 3874:3
3946:20,21,24	3682:23 3685:12	3753:6 3765:18	classical 3840:24
changed 3708:22	3709:1	3785:25 3792:25	3856:15 3865:10
3768:20 3794:23	3710:3,10,19	3793:2 3822:23	3933:13
3804:19 3831:24	3717:10,20	3823:3 3828:17	classroom 3933:2
changes 3685:4	3718:2,9,14	3829:1	clean 3946:6
3793:19	3721:21 3722:20	3847:9,17	clear 3682:8
3878:16,18	3746:4,6,12,15	3856:4,12	3720:2 3734:2
changing	3747:3	choking 3878:24	3739:8 3748:16
3793:12,21	3748:6,22	choose	3757:18 3758:10
channel 3682:3	3750:24	3753:16,17,21	3780:17 3835:10
3720:2 3770:23	3751:2,9	3754:1 3755:16	3838:17 3898:6
3773:3	3756:12	3814:1 3821:19	3926:19 3939:19
channels 3721:11	3769:14,21,24	3886:25 3924:3	3946:4
chapter	3770:15	3959:23	clearing 3683:8
3919:17,20,22	3771:15,18,22	chooses 3737:4	clearly 3677:21
3941:4,9	3772:2,7,9,11	choosing 3884:11	3734:6 3844:21
chapters 3808:23	3776:25 3778:20	chose 3728:16	3852:17 3942:25
characteristics	3780:22,25	3737:24	clerk 3949:3
3818:16 3819:14	3781:13	3738:3,14	clever 3932:3
3839:18	3782:3,9,15,18	3760:12,17	clients 3719:16,18
characterization	3795:7,24	3784:3 3842:11	3784:18 3873:25
3812:20	3797:25 3802:22	Choudhury	clock 3746:7
chart 3757:8	3805:17	3670:17 3671:4	close 3741:21
3770:21 3790:7	3806:9,11,16,22	3675:22 3677:20	3859:10,25
3878:17 3883:18	3807:4 3810:6	3679:7 3682:22	3890:6 3951:13
3885:5	3811:10 3836:16	3708:2,25	closed 3677:5
charts 3754:25	3843:21	3709:23	3710:25 3767:11
3756:20 3759:14	3872:6,9,12,17	3710:1,5,11,16	closed-ended
check 3750:16	3875:2,23	Christian 3870:10	3753:8,10,22
3773:9 3795:19	3893:1 3902:21	Christopher	3755:23
3846:12	3917:4 3921:9	3917:19	closely 3761:13
3854:3,4,11,12	3922:9 3934:10	chunk 3724:19	3795:20
3889:21	3938:21 3939:1	3732:18	closer 3791:20
3890:1,16	3948:6,24	CIA 3937:19	3917:15,16
checked 3833:6	3949:3,7,23	circumstances	
3871:24	3952:5	3772:3	
checks 3683:19	3962:11,14,17	cited 3754:9	
3684:8 3854:18	3963:25		
Chicago	choice 3745:5		
3918:11,15	3751:25 3752:4		
CHIEF 3668:21	3765:9 3793:5		
3673:4,14			
3676:10 3677:25			
3679:3,8			
3682:23 3685:12			
3709:1			
3710:3,10,19			
3717:10,20			
3718:2,9,14			
3721:21 3722:20			
3746:4,6,12,15			
3747:3			
3748:6,22			
3750:24			
3751:2,9			
3756:12			
3769:14,21,24			
3770:15			
3771:15,18,22			
3772:2,7,9,11			
3776:25 3778:20			
3780:22,25			
3781:13			
3782:3,9,15,18			
3795:7,24			
3797:25 3802:22			
3805:17			
3806:9,11,16,22			
3807:4 3810:6			
3811:10 3836:16			
3843:21			
3872:6,9,12,17			
3875:2,23			
3893:1 3902:21			
3917:4 3921:9			
3922:9 3934:10			
3938:21 3939:1			
3948:6,24			
3949:3,7,23			
3952:5			
3962:11,14,17			
3963:25			
choice 3745:5			
3751:25 3752:4			
3765:9 3793:5			

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 12

CMA 3937:17	3805:24,25	3861:12 3880:12	3835:17,22
code 3743:12,15	3930:25	3883:20	components
3744:13	comma 3678:23	compares 3896:22	3834:13,20
codes 3743:10	commensurate	comparing	3835:14 3836:4
3749:14	3820:20 3821:7	3762:10	3849:15
coding 3814:20	comments	3895:21,25	3863:9,16,17,20
3871:13	3710:20 3874:21	comparison	comports 3850:11
coextensive	commercial	3721:7 3838:10	compose 3834:24
3881:13	3812:2 3823:23	3886:9,12,23	composed 3835:21
cofounder	3827:9 3838:3	3887:23 3897:10	3849:14
3718:25	3839:15 3846:22	Comparisons	composition
Coining 3795:3	3853:11	3672:12	3862:23 3863:18
Colin 3670:17	3854:14,24	Compass	3865:13
colleagues 3746:8	3870:2 3874:4	3873:21,23	compounds
3796:3	3877:19	competing	3867:11
collect 3816:8	3879:21,25	3893:24	comprehension
3933:18	3893:7 3894:2	competition	3744:14
collection 3738:19	3895:5	3860:8,9,10	3795:16,19
3814:19	Commission	3874:2 3892:11	computer 3918:16
collections 3674:7	3965:15	3897:21 3898:8	conceivably
3790:16	Committee 3670:3	competitive	3835:21
column 3791:19	3874:17	3877:8	concentrate
3792:12	committees	3893:20,21	3719:9
columns 3867:21	3919:7	3898:5	concentrated
combination	3920:8,20,21	complete 3684:2	3778:10
3740:3	3921:1	3756:10	concentration
combined 3730:22	common 3733:8	3800:4,14,21	3778:3
3733:3	3821:2 3901:1	3801:10,19	concern 3745:5,12
3824:6,10	communication	3811:1 3812:5,7	concerned
3861:13 3868:20	3897:9	3850:23 3890:11	3745:14 3793:8
comes 3676:8	companies	completed	3880:24
3684:5 3743:21	3719:23,25	3774:13 3800:11	concerning
3749:23 3836:6	3720:10,12	3832:23	3876:23 3882:17
3863:15 3956:18	3920:16 3921:2	completely 3681:8	concerts 3929:16
comfortable	3942:1 3952:10	completes 3887:11	conclude 3741:25
3819:22 3824:23	company 3670:24	completion	3758:25 3878:20
3832:18 3845:4	3675:7 3677:3,4	3833:3,16	conclusion
3850:25 3851:4	3719:10 3920:12	complex 3820:8	3785:3,9,11
3853:4,5	3932:9,10	3822:20	3790:6
coming 3675:16	company's	complicated	3803:20,24,25
3676:23 3740:14	3954:16	3683:23 3685:7	3812:16 3813:1
3742:3 3771:12	compare 3682:16	3734:17	3897:22
3776:4 3782:14	3865:4 3897:7	complies 3777:24	conclusions
	3945:11	component	
	compared 3765:8		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 13

3741:12,15 3804:8,15,20,25 3812:14 3835:4 3860:17 3876:18,23 3877:25 condition 3825:6 conditions 3679:13 conduct 3722:24 3816:17 conducted 3901:9 conducting 3719:8 3812:8 3813:21 3835:5 confer 3750:24 conferences 3721:14 confidence 3783:18,23 3799:22,25 3812:24 3834:16 3835:13 confident 3955:13 confidential 3710:15 3843:25 3902:19 confront 3764:19 3765:18 confronting 3765:16 confusion 3797:16 3798:7,11 Congratulations 3674:2 congress 3668:3 3953:6 conjoint 3767:20,21,22,2 5 3821:25 3822:8,11,20 3881:25 3889:21 3900:14,16 3901:2,6,9,12,14	3962:24 conjunction 3768:11 connection 3679:20 3721:25 3722:25 3723:16 3741:12 3888:4 cons 3951:5,7 consent 3818:7 3874:22 consider 3725:10 3731:20 3736:19 3788:20 3861:24 3945:16 3947:9,15 3950:16,22 considerable 3932:7 consideration 3824:8 considered 3821:21 3870:20 3872:1 3941:20 3946:4,7 3948:17,21 3950:20 3952:9,14 considering 3953:22 consistency's 3731:13 consistent 3740:6 3745:25 3755:20 3758:1 3773:5 3845:2 3885:23 3897:20 3898:8 3952:19,22 consistently 3782:7 constant 3821:1,2,19 3822:5 3823:6 3828:17 3829:19 3833:1 3849:16 3850:2	consultant 3873:24 consulting 3809:3,18 3919:8,10 consume 3740:9 consumer 3721:18 3775:14 3802:18 3809:11,12,21 3810:5 3826:20 3841:15 3847:22 3853:2 3856:12,17 consumers 3723:11 3733:12 3741:17,20,25 3765:5 3785:6 3788:6,13 3802:10 3803:7 3812:10 3844:22 3849:15 3850:3 3862:12 3869:10,11 consumer's 3812:9 3848:6,8 consuming 3822:21 contact 3813:15 3816:4 3817:1,12 3832:21 contacted 3819:2 3823:14 contemporary 3681:15 content 3676:16 3710:13 3770:23 3773:2 3837:12,15 3841:3 contents 3840:8 contest 3823:25 3845:6 contests 3861:12 3862:11	context 3818:12 3952:25 3953:2,4,10,11,1 2,15,18,24 3954:1,2,3,7,12, 25 continue 3685:3 3802:3 3825:12 3860:4 3934:9 continued 3670:1 3777:16 continuously 3827:6 contract 3709:25 3941:18 3942:16 3959:3 contracts 3710:6,8 3941:21,24 3942:1,7,12 3943:20 3951:15,17 3952:10,18 3954:3,9 3955:22 contrast 3940:22 contrasting 3861:10 contribute 3816:20 contributions 3816:19 control 3827:22 controller 3674:21,23,24,2 5 controls 3819:21 3844:15 convened 3668:18 convenient 3723:4 conversation 3871:7 3926:5,6 conversion 3791:17 3792:11,13,14,1
--	--	--	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 14

8	3776:4,8,15,19	corrected 3678:18	couple 3674:1
copies 3748:7	3777:8,13,17	corrections	3708:3 3749:3
copy 3756:7	3778:6,14	3678:14	3785:24 3788:17
3779:3,12	3780:6,13	correctly 3743:13	3795:13 3810:25
3810:20 3875:11	3782:2,21	3831:23	3822:9 3838:13
3921:23	3783:13,14,25	correlate 3725:25	3845:11 3853:7
3922:4,16,18,19	3785:13,17	corresponds	3855:17 3869:1
COPYRIGHT	3787:9,16,21	3963:9	3902:19
3668:2,20	3788:1	corroborative	3929:12,15
Cordick 3931:25	3789:7,17,22	3963:3	3936:20 3942:4
3932:6,8,10,14,1	3790:2 3796:7	cost 3919:19,20,24	3960:16
6,19,20 3934:1	3798:14 3801:6	3925:8 3931:13	course 3681:1
core 3675:6	3817:16 3837:18	3936:18 3937:4	3719:18 3720:7
corner 3709:15	3838:14,20,21	3958:19	3735:17 3738:20
Cornerstone	3839:18 3841:8	costs 3730:7	3749:8 3763:3
3813:14	3844:13 3848:23	3822:14,15	3775:25 3783:5
3816:17,21,25	3858:15 3859:3	3884:2 3919:25	3786:13
3817:4,5,7	3868:22 3873:13	3924:9 3950:17	3801:20,23
3831:11	3875:14 3880:2	3955:20	3802:25 3808:20
corporate	3881:15 3882:21	counsel 3673:15	3814:14,22
3919:11,13	3893:17	3709:5 3717:23	3817:11,25
correct	3894:10,21,22,2	3724:22 3742:11	3819:12 3821:10
3708:8,18,23	5	3747:7 3751:11	3824:17 3827:9
3742:25 3743:24	3895:8,13,16,17,	3752:10 3792:8	3828:15 3833:18
3747:24	19,23 3896:3,19	3796:13,19	3835:7,18,20
3749:15,21	3897:11,17,21	3798:1 3806:24	3839:20 3849:19
3750:9	3898:9	3836:20 3845:12	3858:22 3867:25
3753:17,25	3899:11,12,18,2	3868:24 3872:23	3870:17 3871:21
3754:10	4	3893:2 3917:10	3886:13 3957:25
3755:5,9	3900:2,5,8,12,18	3924:15 3939:8	court 3685:11
3756:17,22	3901:4,7,10,13,1	3941:5 3947:18	3737:15,16
3757:2,10,20,24,	6,22,23	3949:13	3750:7 3753:14
25 3758:12,25	3902:2,3,5,9,12	3950:1,8,10	3809:24
3759:11,23	3923:18 3929:2	3955:15 3965:8	3873:15,22
3760:1,3,6,8,9,1	3939:20,23	counsel's 3804:1	3878:12 3882:23
2,17,21,24,25	3941:22	3958:13	3965:1
3761:3,4,7,8,11,	3942:8,14	count 3800:25	courtroom 3683:9
19	3944:6,13,17	3801:2	3684:24 3931:21
3763:1,5,11,12,2	3945:4,14,18	3876:7,25	Court's 3781:7
0,21	3946:9,10	counted 3861:7	cover 3892:23
3764:3,4,13,16,2	3950:23 3952:20	country 3719:21	covering 3888:16
0,21 3767:4	3953:1	3724:2 3807:22	CPA 3923:5,7,8
3768:2 3770:3	3954:15,16,18,2	3856:25	3925:2,4,5
3771:4	0,21,23 3955:1,5	3870:7,9	3934:16,19,24
3773:12,13,25	3956:22 3957:2	3871:15	3935:4,6
3774:4,8,12,25	3958:12		3936:10,14
3775:6,10,15,21	3961:22,23		3937:23 3938:14
	3962:4,8		
	3963:20		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 15

3941:21 3942:7 3943:8,9,17 3955:18 3957:4 CPAs 3926:1 3934:22 3937:5,15 CPA's 3937:14 crank 3956:17 CRB 3877:19 3880:6 3881:6 create 3684:14 creation 3751:20 credit 3674:7 critical 3752:1,6 criticize 3895:21 critique 3881:22,24 cross 3671:2 3720:5 3747:19 3750:8 3793:1 3938:18 cross-examination 3747:7 3802:5 3806:8 3836:20 3893:2 3939:8 cruise 3929:20 cumulative 3780:19 3782:4,16 3864:16 3941:14 curated 3761:2,6 curiosity 3768:14 curious 3736:3 current 3673:23 3708:21,22 3731:10 3733:22 3893:6,15 3894:3 3895:11 3900:10 3945:3 currently 3734:1 3757:19,21 3758:15	customer 3775:25 customers 3761:19 3775:22 cut 3850:22 3851:7 CV 3811:3 3873:11,20 Cynthia 3670:19 <hr/> D <hr/> D.C 3668:4,14 3669:15,21,24 3670:5,9 damages 3874:5,6 data 3676:22 3683:14,17,21 3684:1,2 3723:25 3737:5,14 3738:19 3747:15,17,22 3748:2,9,11 3749:4,17,20 3750:5,18 3751:13 3774:10,24 3783:8 3784:10,17,23 3797:6 3804:23 3809:14 3813:24 3814:19,20 3817:13 3844:3 3857:21 3859:9,10,11 3877:13,24 3881:19 3887:3,5 3891:10 3894:7 dataset 3774:10 date 3724:13,17,20 3725:3,7,24 3726:3 3808:20 3809:22 dated 3796:2 dates 3880:15	daughter's 3935:20 David 3668:22 3670:7 3673:20 3896:14 Davis 3873:18 day 3675:19 3681:12 3684:21 3719:12 3797:5 days 3681:12,21 3685:1,8 3931:20 deadline 3769:5 deal 3677:12 3684:21 3776:10 3813:20 3867:7 3924:12 3932:22 3933:23 3934:4 3959:1,4 deals 3684:18 dealt 3744:22 3931:4 decade 3808:9 decades 3805:2 decide 3812:5 3820:22 3823:12 3856:21 3857:7 3937:1 decided 3731:16 3812:7 3820:25 3835:24 decision 3731:16 3855:16 3865:11 3958:18 decisions 3765:5,18,21 3803:2 declaration 3810:1 3811:5 3875:18 decomposed 3862:18 decomposition	3866:17,22 decrees 3874:22 dedicated 3682:1 defer 3924:16 define 3759:25 3844:9 3955:24 3956:1 defined 3757:21 3758:8 3818:3 3834:9 3835:9 3844:13 3852:17 3926:24 3940:9 3944:9 3951:15 definitely 3834:13 3858:3 definition 3765:13,14 3823:19 3844:20 3956:8 definitions 3672:12 3682:16 defunct 3676:18 degree 3718:18 3807:21 3873:17 3918:5,9 degrees 3718:8,17 3807:24 deliberately 3848:10 delineation 3811:25 deliver 3821:6 delivered 3810:1 delivers 3823:4 3850:10 demand 3830:1 demographic 3785:19 3816:2 3818:14,16 3844:3,6 demographically 3815:14 3833:10 demographics
---	---	--	--

3838:7,8,19	describes 3676:3	3818:7 3889:17	different 3676:25
demonstrate	describing 3708:9	determines 3825:2	3677:15 3680:22
3898:22	3764:10	developing	3683:21
demonstration	3847:7,9	3887:12	3721:8,12
3897:24	description	development	3723:11,14
demonstrative	3759:18	3720:20	3743:4 3744:21
3757:8 3762:7	design 3751:19	developments	3765:10 3790:5
3799:20,21	3752:20 3753:1	3806:4	3806:1 3824:9
3811:15 3812:13	3754:7 3811:21	deviation 3834:11	3825:5
3813:10 3817:21	3813:8 3814:10	deviations	3840:3,4,11
3820:14 3827:16	3816:17 3831:18	3844:23	3841:10,12
3833:21,23	designated 3748:2	device 3720:21	3842:20,23
3835:2 3867:16	3750:14 3756:8	devices 3764:12	3843:18
3878:9	designed 3767:25	devise 3682:4	3847:4,22,24,25
3882:16,20,24	3809:16 3820:17	diagram 3756:20	3849:9,12,15
3883:2 3922:15	3849:17	dial 3672:8	3858:25
demonstratives	designing 3809:10	3720:14,15	3862:11,14,25
3717:7 3723:2	3813:11 3818:9	3721:3 3766:14	3865:3,5
3756:19	3827:17	3768:17 3775:10	3866:14 3870:15
depend 3726:18	desirable	3776:13 3777:16	3877:17,20
dependent	3885:15,17	3778:14 3779:1	3878:5 3882:12
3726:14 3829:14	desk 3722:3	3780:12	3886:19,22
depending 3685:2	Despite 3957:2	3781:6,10,22	3888:8
depends 3765:12	detail 3851:13	3782:22 3791:12	3889:1,22
3861:10 3870:24	3871:6 3880:9	3839:6	3890:9,10,21
depict 3833:23	3882:15,17	dialed 3723:24	3891:24,25
depicted 3882:24	3934:17	Diamond 3827:25	3896:12 3898:25
deposition	detailed	dictionary 3962:2	3920:23,24
3809:24	3882:4,6,11	die 3957:5	3924:2 3926:20
derives 3785:11	3884:9	Diego 3919:2	3939:22 3940:2
describe 3675:1	details 3724:3	differ 3784:2	3953:8
3683:7,10	3819:1 3844:6	3847:3 3958:15	difficult 3826:19
3719:7 3723:15	3923:11	difference 3730:1	3945:17
3727:22 3759:4	determination	3793:22,23,24	difficulties
3807:19 3808:18	3668:7 3844:22	3821:14 3845:5	3944:12,14,15,1
3809:10 3811:18	3955:19	3859:13 3865:1	6,20
3869:9	3957:5,6	3877:16	digital 3668:9
3870:11,16	determine	3891:9,10	3676:21 3677:15
3873:15 3882:6	3681:23 3682:5	differences	3720:12,21
3899:21	3683:15 3781:16	3680:24 3753:1	3723:14
described 3729:6	3818:20 3821:13	3775:9 3840:16	3727:9,10,15
3730:7 3757:14	3839:17 3840:6	3841:9 3844:21	3738:8 3871:22
3763:19 3766:15	3841:19 3857:22	3848:3,4	diligence 3677:19
3788:3 3797:9	determined		Dion
3817:24 3827:23			3933:14,19,25
			DIR 3671:2
			direct 3673:15

3674:10	discuss 3767:7	3781:14 3782:13	3838:14,15
3675:23,25	discussed 3793:18	3792:15 3810:17	3853:3 3858:11
3676:2,13	3797:12	3875:10,17	3862:5
3682:18 3684:18	3926:7,14,17	3923:4	3864:9,22
3717:18,23	discussion 3844:4	3948:13,21	3867:2 3871:6
3734:11	3876:21,24	3950:16,19	3901:5 3919:8
3767:3,10	3891:20 3894:2	documentation	3923:18
3772:22 3806:24	discussions	3818:10 3823:16	3924:20,21
3817:11,20	3900:14	3824:2 3838:12	3929:5
3869:2 3872:23	3926:16,21	documents	3930:4,16
3876:6 3883:8	disproportionatel	3754:17 3762:14	3931:9 3934:8
3917:10	y 3845:17	3783:4 3902:19	3957:24
3947:1,10,15	disputes 3680:13	3937:7 3947:23	double 3960:18
3952:1 3953:20	3874:4	3948:16,21	double-blind
direction	disputing 3934:20	3950:2,9,11,12	3814:10,14
3847:23,24	disqualified	3952:14	doubt 3820:6
directional	3819:7	D-O-I-M 3807:12	3889:22
3765:24	3846:8,12	DOJ 3874:21	Doug 3962:21
directly 3726:10	disqualifier	dollar 3764:20	downloads 3727:9
3764:22 3765:2	3854:21	3766:8 3771:3	3735:13 3737:25
3766:3 3812:9	distinguish 3873:3	3773:7 3884:14	3739:15
3814:20	distinguishable	3927:24	3740:13,17,19,2
director 3809:6	3871:5	dollars 3727:17	1,23 3787:20
directors 3919:13	distinguishing	3859:20 3883:23	3788:7,14
3920:15	3879:24	3936:20	3804:2
disadvantages	distribute 3864:12	dominant 3861:14	downside
3764:25	distribution	dominates 3846:6	3945:12,13
disagree 3682:7	3882:12 3884:9	Dominique	dozen 3918:22
3897:10	3892:4,7 3896:6	3806:18 3807:12	3932:1
disbarred 3938:9	disutility	D-O-M-I-N-I-Q-	Dr 3779:9 3836:24
disc 3813:6 3824:4	3852:19,25	U-E 3807:13	3837:5 3842:8
3829:9 3845:6	dividing 3792:17	DOMINQUE	3855:4
3865:2	DJ 3823:25	3671:10	3872:7,11,25
discovered	Docket 3668:6	donating 3717:13	3874:25
3745:18 3866:21	doctors 3871:3	done 3719:17	3875:2,7
discovery 3747:21	document 3678:7	3720:18 3723:20	3876:3,6,11,16,2
3784:18 3796:7	3679:16 3680:6	3724:12 3747:16	0,24
3836:3	3682:14,15	3750:18 3766:13	3877:12,14,24
discretion 3962:6	3722:5 3750:22	3769:21 3774:23	3878:2,22
discrimination	3768:5	3776:14 3781:5	3879:6
3891:13,19,22	3769:1,3,12	3782:7,23	3881:18,19,20,2
3892:2	3770:8	3798:6	1,22,25
discriminatory	3779:7,14	3809:2,15,22,25	3882:8,18
3891:23		3820:4 3821:24	3884:10,16
		3832:20	3885:5 3886:1
			3887:3,4,5,7,8,1
			1,17,21

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 18

3888:3,5,7,9,19 3889:17,20 3890:5 3892:15,16,18,2 3 3893:4 3895:21 3897:15,23 3898:24 3899:10 3900:15,19,24 3901:15 3963:19 draft 3817:2 3842:8 drafted 3794:11 3946:11,25 3949:15 3950:20 3952:17 drafting 3947:10,16 3949:25 3952:8 dramatically 3725:18 3744:14 draw 3680:11 3835:5 3871:10 3935:11,12,15 3937:13 drive 3681:17 3717:12 driven 3892:10 drop 3934:18 dropped 3725:18 3825:20 due 3677:18 3678:24 duly 3673:9 3717:3 3806:19 3872:20 3917:7 during 3681:24 3779:9 3802:4 3805:21 3919:3 <hr/> <div style="text-align: center;">E</div> <hr/> Ear 3720:25 3721:1 earlier 3678:9 3803:5 3805:21	3835:9 3865:8 3931:12 earliest 3805:4 early 3832:16 3872:13 earned 3808:8 3918:19 easier 3717:8 3756:2 3826:24 3863:25 easiest 3725:14 3867:24 easily 3824:11 3846:7 3871:5 east 3918:23 easy 3681:3 3757:6 3821:9 3842:9 3850:3 EBIN 3669:9 economic 3873:24 3874:7,11 3889:10 3895:9 3919:23 economics 3807:23 3856:18 3873:17,19,25 3874:25 3918:6,10,16 3921:6 economist 3885:12 3901:13 3932:15,21 3935:18 economy 3680:20 Edison 3718:22,24 3719:1,4 3766:9 3768:6 3778:8 3782:6 3796:6 edition 3940:16,18 3941:4,7 editions 3940:16 editor 3940:11 educate 3919:13	education 3918:2,10,12 3919:12 educational 3670:7 3807:19 3873:16 effect 3755:17 3830:7,14 3957:10 effective 3897:21 3898:8 effects 3745:12 efficiency 3871:12 efficient 3814:19 effort 3819:15 EGIN 3896:25 either 3756:1 3757:13 3780:18 3809:15,24 3816:24 3825:7 3829:12 3851:6 3854:15 3893:20 3950:5 3952:22 elaborate 3834:18 election 3719:12,13 elections 3719:13 electronic 3748:7 3750:16 electronically 3748:8 element 3826:15 3829:23 3857:19 3861:11 3959:3 elements 3812:18 3813:3 3823:11,12 3824:19 3827:22 3834:23 3838:2 3839:12 3840:13,18 3861:6,17,21,22 3862:25	Eleven 3800:22 ELGIN 3670:4 eliminated 3734:4 3738:8,11,12 3742:9 3789:11 ellipsis 3734:15 else 3752:12 3783:16 3835:24 3844:4 3845:25 3847:24 3850:6 3861:16 3931:21 3953:17 3963:6 elsewhere 3720:6 3773:9 e-mail 3929:14 emeritus 3918:19 empirically 3809:14 employed 3807:3,14 3965:6,9 employee 3965:8 employees 3795:18 endless 3931:14 engaged 3797:2 engagement 3938:7 English 3828:13 3844:12 enjoy 3836:2 3848:11 3850:11 ensure 3827:18 3831:20 3842:15 ensuring 3752:6 entail 3797:17 enter 3877:3 entered 3814:20 3895:6,12 entertainment 3849:4 entertainment-
--	---	---	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 19

oriented 3727:25	establish 3942:24	3884:6	3747:16
entice 3763:15	established 3802:14 3856:1	3922:18,19	example 3681:17
entire 3675:7	estimate 3727:11	everything 3676:19 3677:13	3747:20 3750:6
3721:5 3728:15	3812:17	3708:15 3728:11	3774:21
3760:11,14,16	3888:20,25	3817:1 3831:20	3776:17,21
3783:24 3871:18	3902:13	3850:5 3859:19	3777:4,21
3920:1	3936:22,24,25	evidence 3672:1	3778:1 3787:1
entirely 3748:15	3959:11,12,19,2	3679:6,10	3797:6,14
entities 3897:9	3 3960:6	3682:21,25	3818:25
entitled 3768:7	estimated 3901:21,24	3710:21	3821:12,22
entity 3897:8	3902:1	3722:18,22	3824:11 3827:23
entry 3825:9	estimates 3835:11	3748:13,17	3828:2,10
3876:7,21,25	3855:7 3887:17	3750:20 3751:16	3840:23 3846:5
3877:3 3935:16	3888:3,10	3756:10,11	3850:5 3853:2
3936:2	3889:4	3777:2 3778:22	3855:22 3856:20
envelope 3946:23	3890:7,15	3779:8,11	3858:1 3861:11
Ephemeral 3668:8	3902:9,12	3811:8,12	3862:11,20
equal 3889:23	estimating 3876:13	3825:22 3852:5	3865:2 3868:8
equals 3825:13	et 3819:18 3824:5	3876:1 3881:9	3871:1,2
equity 3677:4	3831:15 3858:20	3922:11 3943:11	3883:15 3888:12
equivalent 3845:22 3938:8	3870:7	3948:22	3896:9 3899:23
error 3783:18,22	ethics 3935:4,6	3959:7,9 3963:3	3919:8 3927:7
3784:20	3938:6	exact 3685:3	3929:17 3930:19
3798:16,20,24	Europe 3720:6	3725:17 3773:24	3931:16 3936:16
3799:3,6,17	evaluate 3797:7	3853:22,23	examples 3728:18
3814:21	3820:23	3857:20 3865:19	3753:10 3828:2
3902:4,11	evaluated 3876:14	exactly 3743:6	3847:8 3854:15
errors 3683:24,25	EVANS 3669:18	3748:16	3870:4,6,14
3871:23 3885:21	evening 3750:16	3753:24,25	3930:20
E-R-S-E-N 3673:20	event 3813:6	3758:17 3815:8	exams 3937:20
especially 3746:2	events 3861:1	3819:23 3825:13	except 3757:1
ESQUIRE 3669:3,6,9,13,14	everybody 3678:20 3728:23	3826:2 3832:9	3806:17 3872:18
,18,19,23	3844:24,25	3859:14 3867:2	exceptionally 3762:19
3670:4,7	3866:1 3871:15	3869:7,13	exceptions 3850:25
essential 3925:7	3922:16 3942:21	3936:18,19	exchange 3769:6
essentially 3742:5	everyone 3728:24	exam 3805:21	3815:14
3837:12 3882:3	3729:1	3918:25 3935:6	exclude 3729:20
3920:1 3951:16	3735:8,15	EXAMINATION 3671:2,6,9,12,15	3926:25
	3737:18 3794:19	3673:15 3709:5	excluded 3729:17
		3717:23 3806:24	3927:1
		3868:24 3872:23	excluding 3732:9
		3917:10	excuse 3724:22
		examine 3727:3	3742:7 3807:4
		examined 3881:20	3809:16 3843:21
		examining	

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 20

3924:9 3941:3 excused 3806:13 3872:9 execution 3821:10 executive 3809:5 3873:20 3919:12 executives 3919:13 exercise 3851:20 3852:25 3856:10 exhaustive 3870:14 exhibit 3672:3,5,6,7,8,1 1,12,15,16 3679:5,9 3680:1 3682:21,24 3722:4,17,21 3748:3,4,24 3749:18 3751:7,8,15 3756:8 3768:6,23 3769:2,3,10,16 3770:8 3771:7,9 3776:23 3777:1 3778:18,21 3779:1,8,17 3780:12,16 3810:18,20 3811:8,11 3873:8 3875:11,21,23,2 5 3921:14 3922:7,10,15 exhibits 3672:1 3748:12 3750:14,15 3754:17 3769:8,10 3780:20,21 exist 3734:7 3738:22 3785:5 3862:10 3930:15 existed 3733:21 3734:21	existing 3789:20 3790:15 3880:25 exists 3955:1 exit 3719:10,19 expand 3924:6,13 expanded 3740:8 expect 3749:19 3771:13 3804:14 3830:22 3833:7 3854:2 3885:15 expected 3950:8 experience 3745:25 3788:4 3790:11 3794:10 3801:17 3802:10 3803:18 3805:12 3808:25 3809:10 3813:20 3918:2 3919:9,10 3955:15 experiencing 3847:6 experiment 3901:15 expert 3721:18 3781:4 3802:19 3809:21 3810:4 3865:25 3874:7,11,12,14, 25 3896:13 3901:6,8 3921:6 3923:6,8,9 3925:3,4,6,12,25 3934:5,19,21,22, 23,25 3937:12 3938:5 3940:15 expertise 3813:21 3871:2 experts 3866:3 expiration 3880:15 expire 3880:25 Expires 3965:15 explain 3725:8	3734:12 3852:2 3857:23 3878:11 3925:17 3961:10 express 3862:13 expresses 3896:21 expressing 3752:2 extensively 3720:9 extent 3858:10 3957:22 extreme 3845:19 3932:25 3933:1,25 3934:1 extremely 3729:23 3741:8 <hr/> <p style="text-align: center;">F</p> <hr/> faced 3765:5 facilitate 3806:6 fact 3741:9,21 3747:14 3767:6 3781:6 3783:12 3816:3 3833:6 3836:1 3841:10 3844:2 3846:2 3847:25 3848:1 3851:22 3861:15 3871:11 3881:4 3884:6 3889:23 3890:23 3891:5 3897:12,22 3898:1 3933:2 3937:9 3953:6 3955:3 3957:2 factor 3745:21 3830:2 facts 3681:3 faculty 3807:18 3808:9 fail 3801:19 3877:23 failed 3800:14,21 3801:10 failure 3803:18	fair 3680:12,16 3775:17 3776:8 3844:4 3880:20,21 3894:6,11 3901:1 3924:21 3930:13 3937:7 3948:9 3950:15 3955:7 fairly 3680:23 3683:23 3834:16 3923:19 faith 3819:15 3923:20 3930:14 fake 3819:18 falls 3774:12 false 3710:12,17 familiar 3710:6 3761:9 3766:5 3767:19 familiarity 3818:2 fans 3845:20,21 FASB 3920:9 fast 3680:19 faulty 3929:6 favor 3841:14 3847:11 favorite 3826:21,23 3827:2,3 3832:2 3839:21 3841:1 3842:6 3847:19 3856:3 3860:12 3865:12,17 3869:15 feasibility 3951:10 feature 3849:24 3882:15 3884:19 features 3759:22 3762:10,17 3842:21 3843:18 3844:11 3849:24 3855:15 3869:19 3876:14 3882:10
---	--	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 21

3883:9,11,13 3884:16,21 3885:14,16,19 3888:6,8,14 3889:1 3890:21 February 3832:16 Feder 3668:23 3773:16,18 3806:11 3815:5,8,22 3816:10 3819:25 3853:9,14 3854:22 3855:2 3870:19 3872:3 3888:22 fee 3735:10 3738:5 3770:22 3771:6 3773:1 3793:6 3794:2,7,13 3797:17 3878:4 3883:22 3886:9 3944:17 3945:12,17,20 3946:5,7 3949:18 3951:3 feedback 3797:19 feel 3821:8 fees 3892:8 FELD 3669:9 felt 3822:2 3851:3 fewer 3758:15,18,20 field 3720:17 3723:21 3745:25 3797:5 3808:25 3874:4 fifth 3669:7 3735:8 3940:18 3941:4,7 FIGEL 3669:18 fight 3956:24 3958:2 fight 3931:14 figure 3675:17,20 3724:9,10	3727:6 3728:5,7,22 3729:17 3730:5 3732:11,24 3733:5,14 3734:11,13,14 3735:19 3737:6 3739:5 3741:1,3,8,9,11 3742:18,20 3743:12 3757:4,8,18 3758:24 3759:7 3789:9 3790:7 3792:24 3878:11,13,14,2 1 3883:4 3884:24 3898:13,22,25 3937:12 3945:9 figured 3957:16 figures 3722:13 3724:7 3732:4 3745:24 3774:17 3798:25 3897:20 filed 3678:15 3874:12,20 files 3750:16 filibustering 3960:15 filings 3675:3 fill 3869:25 fills 3825:23 filters 3818:19 final 3785:16 3788:17 3819:22 3918:25 finally 3813:22 3814:22,24 3819:21 3824:21 3835:1,16 3866:18 finance 3674:4,6,8,12 3684:4	financial 3675:4 3677:6,18,22 3920:7,9 3921:6 3939:23 3940:1,4,15,22 3941:1,16 financially 3965:9 finding 3923:13 3924:25 3925:1 findings 3675:6 3740:6 3769:19 3805:21 3923:12 3934:17 fine 3746:10 3769:7 3822:4 3833:11 3841:1 3854:11,25 3866:7 finish 3801:9 3802:3 3964:3 finished 3889:12 firm 3719:6 3813:18 3817:6 3926:3,6 firms 3817:8 first 3673:9 3683:11,12 3717:3 3723:8 3735:7 3744:15 3745:8 3755:14 3762:20 3773:23 3784:1 3793:5 3806:19 3807:10,12 3810:13 3813:11,14 3814:4 3816:4 3817:22 3818:22 3820:5 3822:10 3823:14 3828:24 3829:13,19,23,2 5 3830:3 3831:8 3832:5 3835:7 3841:11 3846:1 3851:7 3854:4,12,13 3855:17,25	3856:7 3858:13,20 3863:12 3869:5,10,13 3872:20 3873:4 3876:20,25 3878:8 3883:19 3884:1 3887:11 3888:11 3892:24 3917:7,24 3919:22 3929:7,23 3930:3 3934:25 3946:17 3958:25 3959:6 Fischel 3963:17,18 fit 3839:17 fits 3746:20 five 3681:22 3738:14 3739:1 3787:11 3808:12 3824:16 3828:4 3830:19 3861:15,20 3863:12,20 3865:7 3919:17 five-year 3677:12 fixed 3832:8 flip 3754:21 3758:24 3759:7 3777:23 3778:8 flips 3683:22 Floor 3669:3 flows 3882:4 FM 3734:24,25 3735:11 3736:12,14 3737:21 3739:14,23 3786:19,22 3790:15 3812:4 3853:11 3854:7 3855:1 focus 3759:17 3790:6 3808:1,3 3834:5 3847:18
---	---	--	--

3856:2 3869:15 3870:2 3887:2 focused 3839:22 focuses 3809:8 3837:6 3843:7 folks 3675:15 3957:16 followup 3752:14 follow-up 3729:15 3795:5 3859:22 footnote 3947:23 footnotes 3817:3 force 3824:24 3828:7 forced 3815:18 forecasting 3675:5 foregoing 3965:4 forerunners 3768:16 forest 3717:14 forests 3717:11 forget 3766:17 forgot 3827:10 3867:2 form 3742:10 3811:24 3950:7 formal 3918:10 format 3683:22 3749:19 3853:16 formatted 3853:12 3865:21,24 formula 3956:11,15 formulated 3832:7 forth 3724:4 3813:7 3824:1 3855:24 3856:16 3869:17 3877:1 3894:19 fortunate 3808:8	forward 3717:9 3864:5 3894:15 foundation 3670:7 3676:7 3709:24 3748:21 3781:4 3802:14 3804:24 founding 3719:2 four-stage 3683:10 fourth 3684:11 3743:21 3744:13 3745:4 3755:11 3858:14 FOX 3669:23 framework 3821:1 frankly 3822:22 freaking 3742:5 free 3731:22 3733:13,20 3734:1,4,6,9,20, 22,23 3735:3,11 3737:21 3738:7,11 3742:6,8,10 3762:11 3763:10 3785:4,7 3786:19,22 3787:7,23 3788:8,9,12,23 3789:11 3790:12,19 3803:13 3848:4 3859:19 3883:11,21 3886:1 freely 3856:2 Freemium 3788:23 3789:6 frequently 3753:21 3755:16 3900:17 friend 3771:12 front 3723:3 3790:8	3808:7,11 3810:14 3829:13 3869:3 3873:8 frustrated 3825:19 fulfill 3820:17 full 3718:4 3728:9,12 3734:16,19 3755:14 3843:14 3883:14 functions 3675:7 fundamentally 3865:3 funds 3920:18,19,24 funny 3932:3 Furthermore 3845:3 future 3776:8,12 <hr/> <p style="text-align: center;">G</p> <hr/> GAAP 3940:8 3958:21,22,23 3959:2,24 3960:1,3 gain 3849:16 game 3844:4 3933:8 3937:7 games 3933:4 Garrett 3926:3 3934:23 gather 3937:10 geared 3725:12 gender 3724:1 general 3708:10 3719:3 3723:15 3740:9 3802:19 3805:8 3816:23 3838:11 3890:20 3934:3 3935:5 3954:22 generalities	3684:24 generally 3685:8 3745:5,24 3758:5 3801:17 3837:15 3870:20 3924:22 3930:14 3940:3 3956:16 3959:16,22 3960:4 generate 3880:18 generated 3681:24,25 3932:8 genres 3760:7 3870:16 gentlemen 3962:23 Georgetown 3919:1 get-go 3801:14 gets 3682:2 3789:12 3929:10,11,12,1 4 getting 3677:17 3780:19 3790:24 3791:20,22 3822:13 3849:17 3917:2 3923:11 given 3778:2 3784:6 3787:12 3792:25 3816:7 3821:4 3826:12,16 3849:14 3858:14 3870:3,6 gives 3830:19 3852:10,13 giving 3867:3 glad 3935:18 glean 3891:10 GLENN 3669:3 glitch 3678:24
--	--	--	--

Global 3720:3	3777:10	3948:5	haven't
goal 3723:12	3778:4,11	handbook	3708:16,20,21
3751:23 3942:23	3780:5 3784:4,6	3919:19	3742:3 3762:15
goals 3723:7	3799:2 3813:19	3940:12,14,20	3896:15 3942:10
Goldman 3677:10	3815:24 3816:17	handed 3796:1	3946:4,7
gone 3795:13	3884:17,19	3878:9 3882:21	3958:18
Google 3720:13	3892:3 3929:24	3921:12	having 3802:15
3900:4	grouping 3727:13	handle 3937:6	3857:5 3896:7
GOTSHAL	3740:4	handled 3675:3	3923:14
3669:6	groups 3674:7	handout 3842:24	head 3738:24
governing	3675:5 3726:17	HANSEN 3669:17	3744:10,20
3680:19 3874:22	3756:22 3774:24	Hanssens 3671:10	3766:16 3798:20
graduate	3775:6,10	3672:15,16	3800:16 3867:8
3718:8,17	3777:20 3781:20	3806:18	headline 3734:14
3931:20,23	3782:8 3920:8	3807:1,11	3812:14
3947:6	growing 3675:11	3810:4,6,10	hear 3728:11
graduated 3918:3	3676:21 3791:19	3811:18 3817:20	3867:9 3917:14
Grand 3669:3	growth 3791:15	3820:13 3831:1	3927:25
granddaughter	3792:10 3876:22	3836:12,22,24	heard 3753:21
3928:4	3878:3,24	3837:5 3842:8	3755:16 3794:20
grant 3940:5	3879:2	3855:4 3869:1	3853:15 3896:15
graph 3724:15	guess 3742:13	3872:7	3920:16,17
3728:22 3735:19	3743:23 3765:12	H-A-N-S-S-E-N-S	3921:2 3931:12
3740:2	guidance	3807:12	3937:17,19
gray 3681:4	3958:5,23	happen 3680:20	hearing 3668:17
great 3813:20	guide 3855:25	3850:18 3925:9	3685:13 3744:9
greater 3825:8	GUMP 3669:9	3957:12	3794:19 3902:22
green 3737:23	guy 3931:24	happens 3685:2	3933:20
Greer 3670:19	3932:2 3935:21	3863:6 3884:15	hears 3835:19
grew 3676:4	guys 3959:1	happenstance	heavily 3778:10
gross 3928:14	gym 3794:2	3887:25	3871:1
group 3674:20	<u>H</u>	3889:8,15	heights 3885:3
3675:8 3677:9	Habit 3791:9	happily 3737:15	He'll 3963:1
3682:17	habits 3725:4	happy 3782:11	help 3675:20
3720:3,4	3726:1,6 3727:3	3833:5,17	3818:10 3832:6
3732:18,19	3788:5	3834:18	helped 3823:17
3733:25 3734:1	habituated	hard 3680:19	3824:1
3737:20,22	3790:24 3791:22	3762:19 3821:13	helpful 3838:13
3738:9,23	half 3861:18	3863:10 3865:15	3948:2
3774:18,22	3932:12	3866:11 3867:10	helping 3817:2
3775:20,21	hallway 3747:11	Harvard 3873:19	helps 3850:24
3776:6,7,15	hand 3822:3	3918:22	hereby 3965:3
	3871:9 3917:5	Hauser 3669:9	Here's 3863:6
		3881:25	

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 24

hereto 3965:9	Honor 3673:12	3846:24,25	3960:12
he's 3710:5	3675:22 3676:1	3847:12 3849:13	identical
3748:16	3677:20,24	3866:5	3837:13,16
3781:5,10	3678:3,21	hours 3681:12	identification
3802:18	3683:1 3709:23	3789:25	3680:1 3722:4
3805:2,3,8	3710:1,22	3832:2,3	identified 3838:7
3935:2,23,25	3717:6 3721:20	3855:24	3839:17 3886:5
hesitated 3945:8	3722:19	hovers 3835:12	identify 3718:7,16
hesitation 3831:15	3746:10,14	Howard 3947:3	3838:23
Hi 3939:11,16	3747:6 3748:15	Howdy 3917:13	3839:3,5
hierarchical-	3750:1,20,23	How's 3917:16	3948:12
based 3882:2	3751:14	HUBER 3669:17	iHeart 3679:5
high 3684:7	3768:23,24	huge 3732:18	3680:1 3682:21
3720:18 3817:9	3769:9 3770:17	hugely 3861:14	3709:11 3720:2
3833:8 3834:11	3771:10 3772:10	human 3814:21	3741:5
3844:23 3846:6	3773:17 3776:22	3856:17	3838:14,20
3868:2 3884:12	3778:18,19	hundred 3749:3,4	3844:3 3942:20
3918:3	3779:6,7,11	3820:3 3821:5	iheartmedia
higher 3732:15	3780:16,17	3826:1 3845:2	3672:5,11
3764:6 3775:5	3781:18,19	3847:21	3673:15,22
3832:5 3868:5	3782:8,12	3850:2,4,16	3679:9 3682:24
3877:22,23	3786:5 3792:6	3851:8,19	3709:5
3879:2 3891:17	3795:6,23	3852:14	iHeartMedia
3899:22	3797:22,24	3857:11,13,14	3669:17
highest 3681:19	3802:13 3804:21	3864:12 3869:24	3674:16,18
3777:11 3778:3	3805:16	3932:18	3708:17
3799:5,7,17	3806:7,23	hundreds 3931:11	iHeartRadio
3860:21	3811:9 3844:1	3954:10	3674:8,13
3861:8,18	3852:23 3872:5	hung 3801:8	3682:11
hip 3935:21,22	3875:22 3892:22	hurdle 3823:1	3838:9,18
3936:3,6	3894:25 3896:25	hypothetical	3899:23
histogram	3902:20 3917:3	3734:20 3757:14	iHearts 3775:19
3887:19 3890:25	3921:8 3922:6,8	3759:4,10,18	iHeart's 3708:11
histograms 3883:8	3931:10 3938:17	3762:24 3763:19	II 3963:11
hit 3684:20	3949:1,9,13,20	3764:10 3788:2	III 3963:11
3749:23	3951:24 3952:3	3789:10 3794:13	I'll 3749:9,22
hits 3681:15	3960:15	3804:12,18	3757:5 3758:18
hold 3875:4	Honors 3679:4	3821:5 3857:16	3762:4 3768:14
home 3764:12	3682:20 3710:15	hypotheticals	3790:18 3812:19
3801:25 3855:23	3748:1 3810:3	3804:22	3813:9 3841:5
3933:8	3811:7 3836:14	I	3864:20 3897:3
honest 3680:25	3872:10 3874:24	I'd 3682:20 3736:6	3924:13,15
Honestly 3777:18	3875:20 3934:7	3921:5 3932:20	3960:23
	3948:20		illustrates 3882:16
	horizon 3881:1,11		I'm 3673:24
	hot 3921:2		
	hour 3681:21,22		
	3769:8 3823:1		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 25

3676:7 3679:2 3680:10 3681:4 3710:14 3718:10 3725:10 3728:9 3735:1 3743:1 3746:6,15 3753:24 3755:25 3756:4 3760:15 3765:10,14 3766:5 3780:20 3782:17 3786:10 3788:25 3792:16 3793:17 3794:1,21 3800:17 3801:5 3802:3,19 3805:5 3807:13,15 3809:13 3812:8 3815:16 3820:3 3828:8 3829:25 3833:5,17 3834:18 3836:25 3837:15 3839:19 3840:21 3841:1,19 3842:23 3843:11,13,14 3847:7 3848:7,18 3851:1,12,15 3859:23 3860:6 3861:20 3862:4 3864:9,11 3866:21 3870:9 3873:24 3879:19 3889:11 3892:20 3893:22 3902:14 3917:23 3926:2 3927:9 3928:7 3931:21 3933:20 3934:7,8 3935:18 3937:15 3938:24 3940:10,16 3941:5,10,23 3945:24 3948:1 3950:13 3953:9,10 3955:13	3964:4,5 imaginable 3801:24 imagine 3802:1 3857:17 Imeem 3676:18 immediately 3863:21 impact 3732:22 impeachment 3769:1,6,17 implement 3811:21 implementation 3832:14 implementing 3813:12 implicit 3848:13 3926:16 implied 3794:16,24 importance 3775:14 important 3724:12,14,18,2 0 3725:12,19,20,2 3 3751:19 3775:21,22 3776:1 3824:5 3827:7 3828:7 3830:3 3831:16 3834:5,22 3841:3 3842:12,14 3848:12 3852:8 3858:20 3861:5 3883:19 3884:8 3930:18 3935:10 3936:8 importantly 3824:21 3828:19 impossible 3681:23 3923:17	3928:1,3 3929:1 impractical 3681:8 impression 3830:2 improve 3685:3 3831:25 improved 3832:12 3888:14,16,18 Inasmuch 3765:7 Inc 3669:5,17 incentive 3820:1,7 incentives 3815:15 3816:7 incidentally 3812:19 3850:8 3853:1 include 3674:9 3730:1 3737:11 3757:23 3786:22 3801:4 3808:22 3813:5 3823:13 3870:4 3927:3,4 3954:9 3956:1,2 included 3677:13 3730:20 3731:4 3760:8 3784:17 3801:11 3842:25 3853:17 3869:6 3884:21,22 3888:8,18 3926:25 includes 3894:24 including 3719:23 3720:1 3730:12 3731:11 3756:10 3808:9 3893:13 3895:5 3918:2 incomplete 3804:22 inconsistent 3952:22 incorrect 3796:23 increase 3784:5	3945:24,25 increased 3744:13 3789:21 3945:22 increasing 3804:7 incredibly 3749:3 indeed 3826:8 indefinite 3793:10 independent 3682:18 3817:6,14,17 independently 3817:7 3831:12 independents 3684:19 indicate 3831:14 indicates 3887:17 indications 3765:24 individual 3728:16 3760:12,16 3826:13 3834:12 3857:9 3861:17 3902:6,8,12 individuals 3735:25 3736:20 3743:4 3818:1 3825:4 3857:10 3886:25 3891:16 3892:3 individual's 3957:6 industrial 3918:9 3919:9 industries 3895:23 3896:1,10,11,24 3955:1 industry 3674:19 3679:18 3681:6 3788:5 3790:11 3897:10 3923:6,7,8,9 3925:3,4,6,12,15 20 3926:1,13
---	---	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 26

3934:19,21,22,2 3,25 3935:7 3937:12 3938:5 3952:25 3953:3,24 3954:4 3957:4,24 inference 3833:19 3871:11 infinite 3672:8 3720:14,15 3721:3 3766:14 3768:17 3775:10 3776:13 3777:16 3778:13 3779:1 3780:12 3781:6,10,22 3782:22 3791:12 influence 3753:7 inform 3795:21 3925:14 information 3732:6 3736:23 3737:9,16 3783:6,7 3796:23 3839:7 3846:5 3849:6 3876:15 3882:4,6 3884:9 3900:21 3918:17 informative 3726:6 3877:2,10 3951:23 informing 3793:15 infrastructure 3674:5 3676:22 3685:4 ingest 3676:22 initial 3673:19 3917:23 initially 3678:14 3818:17 3819:4 initiative	3721:1,12 in-person 3830:23 3870:22 input 3817:13 3892:17 insights 3896:2 Insofar 3925:18 instance 3681:9 3721:8 3725:16 3741:5 3794:24 3855:14 instead 3721:4 3735:5 3787:14 3826:21 3944:17 Institute 3809:6 instruct 3825:25 instruction 3743:10 3828:15 instrument 3749:12,13 3756:4,5,7,11,15 3759:16 3773:15 3786:7 3831:18 Insurance 3920:19 integral 3809:12 3859:10 intend 3844:6 intending 3769:15,19 intensity 3737:7 intensive 3685:7 3870:11 intent 3752:2 intention 3797:5 interact 3789:15 interaction 3963:2 interactions 3675:9 3676:13 interactive 3789:16 3926:25 3927:4,15	3951:18 3963:7 interactivity 3876:16 3887:8,12,16 3888:9,20 3889:4,17 3892:19 3900:24 interest 3726:2 3732:15 3733:1 3856:14 3919:15 interested 3726:1 3731:19 3737:17 3833:15 3965:10 interesting 3853:3 3858:17 3863:7 3900:22 interestingly 3868:16 interface 3871:22 internal 3937:20 International 3920:11 Internet 3682:9 3720:9 3721:9,15 3728:21 3731:1 3734:21 3735:3,10,21 3736:1,7,21 3737:19 3738:11,21 3739:24 3768:7,15 3772:16 3790:12 3791:8 3813:23,24 3814:1 3827:10 3828:16 3837:14 3838:5 3842:22 3843:20 3846:23 3853:13,14 3854:8 3867:5 3869:16 3871:13,20 3933:4 Internet-based	3870:20 interpret 3752:6,9 interpretation 3680:17 3681:4 3682:6 3954:8 interrupt 3720:8 interspersed 3934:4 interval 3783:23 3812:24 3834:16 3835:13 intervals 3783:18 intervening 3918:21 intervention 3814:21 interview 3815:16 3830:18,23 interviewer 3738:25 3814:11,13 interviews 3830:23 introduce 3769:15 3873:2 3917:21 introduced 3926:3 introduction 3676:6 invested 3879:7,14,16,17, 20 investing 3900:1,7 investment 3879:4,14 3880:10 3881:2 3899:17,20 investments 3880:5,17,18 3881:4 3899:4 3900:10 investor 3880:24 investors 3881:11
---	---	--	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 27

invited 3814:15 3816:6	3775:17,20,23 3777:15 3779:11	3834:7,9 3835:7 3841:13 3883:20	3872:10,24 3874:24
involve 3822:12 3940:1	3780:19 3781:11 3782:5,6,15	3892:23 3918:14,21,24	3875:6,20 3876:2 3881:17
involved 3676:16 3677:10,11 3683:23 3710:6 3813:14 3814:11 3874:18 3965:6	3786:6 3789:2 3790:25 3792:18,24 3793:2,17 3794:8 3796:2 3801:21 3802:25 3803:5,21 3810:14 3814:6,7 3815:10 3816:5 3818:22 3824:24 3827:6,7 3829:23 3830:1,3,10 3831:16 3832:10 3842:14 3848:12 3851:16 3852:4,8,24 3854:24 3858:17 3863:18 3865:24 3869:23 3883:4,19 3884:8 3886:19 3887:13 3890:9 3891:19 3892:2 3897:6 3898:3,18,19 3901:1 3923:17,22 3927:21 3930:2,23 3931:4 3932:18 3934:1 3936:14 3947:25 3949:12 3953:13 3957:3 3960:3	3919:8,25 3920:2,7 3922:22 3923:9 3927:2 3933:2,12 3938:22 3942:4 3947:5 3953:3	3883:16 3885:4 3892:14,21 3899:3 3902:15 3917:2
involvement 3677:8 3819:19			journal 3919:5 journals 3808:23
involves 3891:20		<hr/> J <hr/>	Judge 3668:21,22,23 3673:4,6,14 3676:10 3677:25 3679:3,8 3682:23 3685:12 3709:1 3710:3,10,19,23 3717:10,20 3718:2,9,14 3721:21 3722:20 3724:22,25 3725:24 3726:5,11,20,24 3727:1 3731:2,7,15,19,2 4 3735:22,25 3736:3,16,19,24 3737:5,10 3742:11,17,23 3743:3,7,17,23 3744:17,25 3745:3,14,22 3746:4,6,12,15 3747:3 3748:6,22 3750:21,24 3751:2,9 3752:9,23 3756:12 3766:22,24 3767:6,13,16,19, 24 3768:3 3769:14,21,24 3770:15 3771:15,18,22 3772:2,7,9,11 3773:16,18 3776:25 3778:20
involving 3874:15		JACKSON 3669:23	
isn't 3822:17 3889:9 3936:3		JACOB 3669:9	
issue 3931:4		January 3720:17 3723:21,22 3832:16	
issues 3874:15 3876:24 3882:18 3902:16 3925:15,19 3944:25 3945:2 3951:13		jargon 3940:9 3953:19	
item 3786:18		jarring 3725:1	
items 3720:20 3741:11 3743:4 3753:21,24 3754:1 3755:16 3789:9		Jays 3933:8	
it's 3678:1 3679:21 3680:7 3683:13,23 3685:8 3708:14 3709:14 3718:12 3721:11 3725:5 3729:1 3732:5,6,13 3736:25 3743:20,22,23 3744:20 3748:15,17 3754:20 3756:1,2 3757:21 3758:18 3760:13 3768:6 3769:7,12 3770:15 3772:4		Jennifer 3670:4 3796:3	
	iTunes 3741:6 3900:8	Jeopardy 3805:14	
	IV 3668:9	Jersey 3718:23	
	I've 3749:22 3807:18 3808:7 3809:2,15,25 3813:15,19 3817:11 3823:20 3828:16	JESSE 3668:23	
		job 3851:17 3938:11	
		jockey 3829:9 3845:7	
		jockeys 3813:6 3824:5 3865:2	
		JOHN 3669:18	
		joined 3674:20	
		joining 3794:2	
		joint 3935:22	
		Jon 3671:2 3673:8,19	
		J-O-N 3673:19	
		Joseph 3669:13 3671:14	

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015

Page 28

3779:13	3891:4,18	3883:17	3947:7
3780:22,25	3892:13 3893:1	kid 3928:6	knowledge 3788:4
3781:13,24	3894:18,23	Kids 3801:25	3790:10 3810:23
3782:3,9,15,18	3898:10,14	kinds 3681:10	3875:13 3957:4
3783:15	3899:3 3902:21	3720:22 3721:8	known 3719:10
3784:1,8,12,16,2	3917:4 3921:9	3812:10 3834:23	3745:12 3767:20
2,25 3786:4,9,12	3922:9 3923:21	3836:3 3846:15	3933:12 3947:5
3792:7,18,22	3924:15 3934:10	3926:7 3953:3	Kuruvilla 3670:18
3793:5 3794:1,6	3935:16 3938:21	Klaus 3670:17	3939:12
3795:3,7,24	3939:1,4,6	3671:8 3721:20	
3797:14,25	3947:11	3722:19	<hr/> L <hr/>
3798:15	3948:6,12,24	3746:4,5,7,10,13	LA 3681:17
3799:8,15,21	3949:3,7,10,23	,14	label 3719:22
3800:23	3952:5	3747:5,6,8,12	labeled 3709:14
3801:3,12	3955:9,14	3748:1,7,20,23	3875:10
3802:22 3803:25	3956:21,25	3749:25	labels 3675:13
3805:10,17	3957:9,18,22	3750:2,12,23	3682:19
3806:9,11,16,22	3958:3,7,11	3751:5,6,14,17	label's 3676:15
3807:4 3810:6	3960:10,18	3752:13,15,24	labor 3685:7
3811:10	3961:8,13,16	3756:6,13	lack 3676:6
3815:5,8,22	3962:11,14,17,1	3762:6,8	3889:25
3816:10,11,14	9,23	3766:23	Lacks 3802:13
3817:14,18	3963:5,12,15,18,	3768:4,22	landlines 3723:24
3819:25 3822:7	25 3964:4	3769:9,18,23,25	language 3828:10
3823:8	judges 3668:20	3770:1,17,19	3956:5
3825:3,14,23	3718:7,16	3771:10,17,21,2	lapse 3832:7
3826:3 3827:1	3719:4 3734:12	4 3772:6,8,13	large 3732:13
3828:24 3829:16	3747:14 3931:10	3773:17,19,20	3766:20 3815:19
3830:4,13,24	3942:18 3943:9	3776:22 3777:3	3848:18 3871:11
3836:16 3843:21	3944:4 3945:17	3778:17,23	largely 3870:24
3845:10 3846:17	July 3677:5	3779:5,10,15,16	larger 3728:2
3850:13	jump 3880:8	3780:15	3738:15 3749:13
3851:6,22		3781:2,18	3786:8 3818:18
3852:2,19		3782:2,5,11,17,1	largest 3720:3,4
3853:9,14		9,20 3785:1	3724:19 3799:2
3854:22 3855:2		3786:5,11,13,14	Larraondo-
3858:9		3792:5	Klipper
3859:1,4,12,22		3795:5,8,22,25	3670:17
3867:14,19		3797:21 3798:3	Larson 3670:21
3868:7,10,18,23		3800:2 3802:13	3746:23 3747:4
3870:19		3803:11 3804:21	3796:2
3872:3,6,9,12,17		3805:3,15	last 3673:19
3875:2,4,23		3806:7	
3879:16,23		Klaus's 3802:5	
3880:8,17,23		KNAUER 3670:8	
3881:9,16		knew 3833:6	
3883:1,6		3836:18 3840:5	
3884:24 3888:22			
3889:11,14			
3890:22			

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 29

3678:10 3718:10 3721:2 3722:9 3738:3 3744:15 3755:22 3769:2 3772:3 3779:20,25 3782:22 3785:3,22 3792:8,12 3801:10 3807:5,9,11 3829:13,19 3830:5,6,8,10 3859:25 3866:8 3869:3 3873:3,6 3879:23 3892:15,25 3918:17 3934:8 3939:14 3942:22 3951:25 late 3708:17 3709:18,20 3710:13,16 3918:4 later 3753:21 3754:1 3755:16 3772:14 3808:13 3844:16 3924:13 law 3935:13 Lawrence 3671:6 3717:2 3718:6 lawyer 3836:25 3935:14 3938:22 lawyers 3935:10 3939:2 lay 3748:20 3919:4 3956:5 layer 3878:25 laying 3676:7 layman 3961:12 laymen 3935:12 3954:5 lead 3680:23 3810:2 leadership 3677:6	leading 3813:24 leads 3680:13 leaking 3885:22 learn 3918:12 3925:21 3932:25 3935:13 learned 3947:8 least 3818:2,4 3823:1 3858:6 3863:8 3865:15 3867:11 3868:13,14 3871:7 3882:18 3884:17 3926:4 3931:2 leave 3677:2 3781:15 3876:18 3934:11 3957:17 ledger 3885:22 legitimate 3956:8 LeMoine 3670:17 3671:11 3811:9 3836:14,17,18,2 1,25 3843:22 3844:5,7 3846:18 3852:22 3853:7 3855:3 3859:24 3867:12 3872:4 length 3801:21 less 3735:16 3738:4 3785:7 3830:14 3850:15 3851:8 3857:14 3861:19 3879:2 3885:7 3886:22 3892:2 3940:7 let's 3807:4 3813:8 3821:14 3823:10 3827:12 3828:3 3829:10 3845:6 3849:12,13 3854:12,17 3857:11 3871:2 3872:14 3876:20 3881:18 3887:2	3888:12 3893:23 3894:1 3897:9 3900:14 3934:10 3937:1,3,9,10,11 3938:21 3939:17 3944:2 3961:5 letter 3796:1 letting 3964:2 level 3684:6,7 3708:10 3719:3 3759:5 3795:16 3797:16 3799:22,25 3835:8 3878:16 3892:10 3898:5 levels 3728:4 3877:7,8 3878:17 Lexecon 3873:21,23 library 3668:3 3728:14 3759:23 3760:1,3,5,8 license 3670:3 3674:10 3874:17 3892:8 3938:10 licensed 3676:13 3878:4 3936:1 licenses 3674:11 3891:25 3898:4 licensing 3676:16 3677:16 3874:15,19 Lichtman 3962:21 3963:19 life 3725:21,23 3920:18 lifetime 3808:14 3896:7 light 3728:4 likelihood 3789:5 likely 3728:19 3729:8,9,10,11 3730:8,10,11,12,	13,15,16,20,21,2 2,25 3731:21 3732:17,20 3733:2,4,7,9,21 3734:3,5,6,7 3735:4 3738:9 3741:18 3742:9 3757:13 3759:3,9 3776:12 3836:10 likewise 3828:7 3830:9 limit 3894:1 limitations 3738:18 3765:22 limited 3739:1 3741:16 3828:17 3864:7 3881:4 3940:23 limits 3836:8 line 3678:16,22 3745:4 3761:14 3786:1 3787:3 3790:6 3794:17 3801:25 3860:1 3944:24 3953:21 3954:10 3960:13 lines 3821:22 3822:5 3859:15 3878:17 3884:13 3885:2 3955:9 list 3719:18 3742:24 3753:21,24 3754:16 3755:17 3769:2,3,10 3813:4 3823:21 3824:7 3825:2 3948:16 3952:14 list-based 3745:13 listed 3762:10,18 3786:18 3787:17 3793:6 3799:8,12 3861:22 listen
---	--	---	---

3735:11,12,15 3737:23,24 3738:2,4 3745:19 3757:19 3759:1 3762:24 3763:14 3770:22,24 3773:2 3779:19 3785:7 3786:19 3787:25 3795:18 3819:9 3827:10 3832:2,4 3838:3 3842:22 3843:19 3845:15,21 3846:7,10 3854:9 3855:16 3856:15,22 3857:7,13 3932:17 3933:3,5 listened 3732:19 3733:16 3735:21 3736:1,7,11,13,2 1 3737:19,21 3739:6,9 3741:4 3757:11 3773:3 3779:24 3790:1,13 3826:7 3837:13 3839:1 3845:16,17 3932:5 listener 3822:25 3823:22 3835:19,24 3840:19 3841:8 3843:7 3860:11 listeners 3732:2 3757:23 3792:21 3811:23 3836:1 3838:9,18,20 listening 3735:3,14 3737:7 3739:3,10,11,12, 16,17 3740:5,6,18 3741:10 3742:20	3743:13,15 3745:16 3762:2 3763:4,6,7,8 3776:4 3778:3,9 3788:5 3790:14 3791:16 3804:19 3805:23,25 3806:6 3818:4 3837:6 3842:4 3855:8,16,21 3860:4 3883:14 3932:1,16 listens 3822:25 3854:17 lists 3749:14 3754:1 listserv 3746:18 literally 3776:8 3820:5 3852:6 literature 3680:20 3766:6 3853:1 litigation 3816:22 3874:1,8,17 3925:8,9 3931:14 3937:5 3940:12,20 3955:12,17,21 little 3729:1,2 3732:12,15 3733:1 3734:17 3757:8 3812:13 3813:8 3830:16 3832:7 3834:1 3837:25 3853:19 3861:19 3863:24 3866:13 3872:13 3917:15 3925:21 live 3957:5 lives 3790:25 3791:24 3933:5 LLP 3669:2,6,9,13,23 3670:3,8 load 3789:20 3804:7 local 3717:11	3813:6 3861:1 logic 3924:4 logical 3923:17,23,25 3924:20 3929:2 3930:16 logically 3824:12 3929:2 logs 3683:14 London 3920:11 long 3674:16 3684:17 3719:1 3728:17 3760:20 3772:2 3788:15 3794:18,25 3807:17 3812:20 3820:8 3830:21 3840:25 3854:25 3946:3 longer 3733:13,20 3734:7,21 3880:19 loop 3859:25 Los 3669:4 lose 3938:10,13 3939:7 lost 3819:9 3833:9 3927:2 lot 3681:20 3745:1 3753:23 3765:20 3766:17 3809:14 3819:9 3833:9 3834:12 3836:1 3850:21 3931:21 3935:11 3936:19 lots 3681:4 3683:19 3725:11 3749:4 loud 3710:14 3953:9,14 3960:24,25 low 3819:18 3845:22 3868:2 3885:18,23	3925:8 lower 3730:4,17 3826:18 3836:10 3868:6 3877:23 3881:6 3884:4 3946:3,18 lowering 3732:22 lowest 3858:6 lump 3865:3 lunch 3837:2 Lys 3933:11 3947:1,5 3949:16 3950:17 3951:7 3952:4 Lys's 3947:9,15 <hr/> M <hr/> M.B.A 3718:19 magnitude 3835:12 main 3808:3 3839:21 3843:4,12 3875:16 3876:23 mainly 3808:22 MainStay 3920:19 major 3719:19,21,25 3824:8 majority 3729:8 3730:14,24 3733:4 3734:2 3741:17,22 3742:5 majors 3719:23 makers 3761:7 Malone 3746:17 mama-papa 3942:20 manage 3674:4 management 3807:16,25
--	--	--	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 31

3919:19 3937:18 managerial 3921:7 MANGES 3669:6 manual 3827:25 March 3674:17 3791:8 3796:2 margin 3677:14 3783:18,22 3784:4,19 3798:16,20,24 3799:3,6,17 3861:9 marked 3679:25 3722:4 3750:14 3768:5 3770:8 3778:25 3810:17 3843:23 3921:13 marker 3886:5 market 3719:5 3721:19 3728:3 3741:15,16 3761:18 3803:3 3804:9 3817:6,8 3819:11 3821:2 3833:11 3848:4 3874:18,19 3884:10 3886:6 3887:22 3891:1,8,9 3893:25 3894:12,13 3895:6,8,12,19 3942:2 marketing 3762:3 3763:24 3764:6,15 3808:4,12,15,16, 22 3809:1,3,6,9,20 3810:4,5 marketplace 3803:21 3806:5 3886:13 3941:21,24 3942:7,12	3943:1 3952:18 markets 3673:24 3674:5 Marks 3670:21 3671:7 3717:6,17,21,24 3718:1,3,15 3721:17,23 3722:17,23 3726:25 3731:25 3738:13 3745:23 3746:3 3748:15 3750:4,12 3756:3,9 3768:24 3770:16 3771:12 3772:10 3776:24 3778:19 3779:7 3780:17,24 3785:4 3797:24 3798:2 3800:1 3801:16 3802:17,23 3804:5 3805:1,19 3806:10 Martha 3670:17 mass 3751:12 Massachusetts 3809:7 master's 3807:24 3918:8 match 3848:5 materiality 3936:16 3937:4 materials 3722:14 3754:8 3761:18 3762:3 3763:24 3764:7,15 3796:6,16,25 math 3800:18 mathematical 3918:16 mathematics 3918:5	matter 3668:17 3752:25 3769:16 3820:18 3866:6 3876:4 3878:23 3897:24,25 3898:23 3919:15,16 3922:14 3927:8 3930:3 3946:12,14 3962:6 matters 3776:15 3874:13,15 maximize 3848:9 3856:18 3892:3 may 3668:15 3681:20 3735:22 3795:5,22,24 3806:12 3826:13 3829:25 3830:1 3833:10 3836:4 3845:16 3857:15 3858:19 3863:9 3872:9 3931:12 3934:11 3935:9 3946:2 3954:19 3958:14,22 3965:16 maybe 3725:8 3822:16 3829:13 3845:19 3858:5 3859:14,23 3864:4 3867:19 3917:15 3926:5 3931:17 3935:23 3936:2,21,22,24 3937:13 3953:14 3960:18 McFadden 3767:14,17 3876:11 3882:8,18 3884:10 3887:17 3889:20 3900:15,19 3901:15 McFadden's 3881:19,20,21,2	2 3884:16 3886:1 3887:3,5,7,21 3888:3,19 3892:16 MD 3935:20 3936:4 mean 3676:15 3683:12 3720:8 3727:23 3736:18 3752:10 3781:25 3792:14 3794:7,15 3805:15,16 3815:8 3829:19,21 3839:5 3844:10 3849:8 3856:25 3857:1 3858:7 3867:25 3878:22 3886:12 3890:9 3891:24 3893:12 3898:19 3901:18 3902:13 3918:19 3941:23 3947:11 3952:1 3953:2,11,17,18 3954:2,18 3956:11,15,19 3958:8 3961:12,24 3962:5 meaning 3752:2 3831:15 3852:14 3956:5 meaningful 3675:12 3821:18 3833:19 3864:2 3896:2 meanings 3849:9 3956:5 means 3680:21 3734:22 3784:11 3791:21 3803:1 3834:10 3844:25 3845:1 3849:4 3850:4 3918:20 3940:6 3956:15
---	--	---	--

3961:11,12,19 meant 3736:16 3752:16 3759:25 3851:25 3954:6 measure 3721:5 3723:6 3739:2 3751:20 3888:4 measured 3888:7 measurement- oriented 3721:4 measures 3888:2 measuring 3721:13 3889:1 3890:4,18,20 meat 3851:9 mechanically 3684:15 mechanism 3820:7 3851:17 3956:12 3957:3 media 3669:5 3670:7 3719:14 3720:12,22 3727:24 3768:7 median 3867:24 3868:10,11,19 medical 3871:3 3935:25 3936:5 medium 3813:23 3815:2 3871:14 meet 3675:15 3684:6 3864:6 meetings 3675:24 meets 3823:1 Melinda 3670:17 Mellon 3918:8 member 3717:13 members 3717:15 3814:6 membership 3814:5 3815:6,9,11	memorize 3830:18,20 memory 3832:7 3851:14 3947:25 3948:1 mentally 3826:19 mentioned 3729:16 3783:19 3797:3 3798:9 3814:17 3816:15 3818:15 3829:24 3833:9 3843:8 3845:9 3856:9 3858:20 3863:9 3866:14 3955:10 mentions 3831:2 mere 3925:6 3934:25 merely 3792:25 3918:20 3923:5 mergers 3874:2 merit 3918:20 met 3747:11 3837:1 method 3680:12,16 3821:25 3822:8 3872:2 3924:21 methodology 3682:7 3723:16 3724:4 3738:19 methods 3813:22 3822:2,4 3870:21 3889:22 3890:20 3898:20 method's 3821:4 MICHAEL 3669:14 Microsoft 3679:2 middle 3673:19 3709:17 3917:23 3922:2 midpoint 3867:23	midterm 3719:13 Miller 3926:4 million 3758:3,12,15,20 3814:6 3815:6,12 3846:4 3879:7 3936:20 Mills 3671:17 3917:11,19 3921:5,11 3922:6,12 3924:18,24 3934:7,13,14 3937:25 3938:15 3948:23 3949:20 3952:3 3962:11,13 mind 3738:17 3744:6 3865:22 3954:12 mindful 3934:7 Mindy 3836:25 minimal 3820:11 minimize 3757:6 minimum 3783:24 minor 3719:25 3832:11 minority 3728:1,2 minus 3852:21 minute 3812:21 3853:23 3855:10 3860:6 3862:4 minutes 3685:14 3850:23 3899:3 3938:18,23 3939:4 mired 3955:12 missed 3684:22 3867:20 missing 3949:4 misspoke 3879:22 mistake 3900:20	mistakenly 3678:17 MIT 3853:3 mix 3840:7,12 3841:2,10 3849:18 3850:10 MLB.com 3933:4 mobile 3761:23,24 3762:2,18 3804:14 3883:15 3897:9 mode 3896:6 3947:25 model 3677:12 3887:11 3890:6,11 modeling 3677:18,22 models 3925:21 modern 3746:19 modified 3874:23 moment 3748:14 3750:25 3759:14 3921:3 money 3675:21 3727:8 3803:15 3929:21 3936:19 monitor 3795:17 monitoring 3798:5 monopoly 3877:7 Montgomery 3918:4 month 3685:2 3727:19 3728:20 3730:7 3731:1 3733:16,22 3735:10 3738:5 3739:6 3779:20,25 3793:6,9,11,21 3883:23,25 3884:12 3891:21
---	---	---	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 33

monthly 3684:6 3758:9 3778:2 3791:15,21 3792:10,13,17,2 1 3793:12,13,21 3794:2,7 3797:15,17 3886:9	3928:22 3931:8 multiply 3924:10 3928:3 MUNGER 3669:2 music 3670:3 3674:19,20,22,2 4 3675:16 3677:9 3681:12 3682:2,17 3719:15,23 3721:10 3723:14 3724:13,14,17,2 0 3725:3,7,12,21,2 3 3726:1 3727:3,15,23 3728:13,14,17 3731:10 3734:21 3735:3,10,13,14, 16 3737:24 3738:2,4 3739:14,15,20,2 2,25 3740:12,14,17,2 3 3745:19 3759:23,25 3760:2,5,8,20 3761:7,23 3762:24 3764:11 3785:8 3787:13,15 3788:4 3790:15 3793:7 3803:8 3806:1 3811:23 3812:4,17,23 3824:4,16 3827:2,11 3828:13 3829:9 3835:9,16,22 3836:5 3837:8,9 3839:15 3840:8,23,24 3841:2 3845:23 3846:10 3847:1,11,20 3849:12 3850:6 3853:11,16 3854:14,18,22,2 3 3855:25	3856:15,22,24 3857:1,5,17 3858:4 3860:3,5,7,8,13, 18 3861:5,15 3862:2,3,15,18 3863:1,14,15 3864:7,11 3865:9,18,20,21, 23 3866:4,17,22 3868:7,9,14 3870:3,10,11,16 3874:15,17 3876:14 3885:20 3886:15 3930:21,22,23,2 5 3931:16,19 3932:5,10,14,17, 18,19,21 3933:13 3934:2,3 musical 3874:20 music-formatted 3828:11 3838:4 mutual 3920:18,24 myself 3823:22 3959:14 3960:24 3962:1 <hr/> <div style="text-align: center;">N</div> <hr/> N.W. 3669:15,20,24 3670:5,8 NAB 3672:14 3806:24 3810:3,18,20 3811:7,11 3868:24 3872:10,23 3873:8 3874:24 3875:10,20,25 3893:16 3894:21 3896:13 3917:10 3921:13 3922:7,10 nailing 3765:22	name's 3917:18 narrow 3823:18 nascent 3675:19 nation 3815:13 national 3669:12 3670:2 3674:6 3917:19 3933:9 nationally 3723:18 native 3807:21 nature 3781:9 3793:10 3814:12 3870:24 nearest 3936:22,23 nearly 3861:15 necessarily 3725:25 3793:23 3848:15 3880:24 3889:6 3890:19 3896:6,9 needn't 3934:25 negative 3852:20 3884:18,20 3885:10,13,22 negotiate 3943:7 negotiated 3943:1 negotiations 3710:7 neighborhood 3758:3 3889:24 networks 3719:11,20 newer 3721:1 news 3719:20 3791:8 3813:5 3824:11 3829:9 3844:5 3854:20 3858:2,3 3860:24 3861:18 3862:10 3865:2 newspapers
--	--	--	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 34

3719:21	3819:17	3679:7 3682:22	3763:7,8
nice 3740:12	nontalk 3953:12	3710:8 3721:20	3804:18 3883:14
3837:4	nonzero 3863:17	3722:19 3751:10	oft 3929:9,14
niche 3845:18	North 3720:7	3768:25 3771:12	oh 3726:23 3745:6
Nichols 3762:6	Nos 3751:15	3772:1,10	3746:15
nickel 3939:3	Notary 3965:13	3776:24 3778:19	3754:14,23
night 3769:2	Note 3791:18	3780:22 3802:13	3772:7 3817:16
3772:4	nothing 3673:10	3805:17 3806:7	3826:8 3827:10
nine 3864:1,4	3675:24 3677:22	3811:9	3931:19 3954:1
nobody 3840:22	3717:4 3726:8	3875:1,22	3961:25
nominally	3727:14 3797:15	3896:25 3921:8	okay 3684:12
3932:19	3806:20 3817:5	3948:23 3949:20	3708:16 3709:16
Noncommerical	3850:6 3872:21	objections	3747:3,21
3670:3	3917:8 3952:23	3772:11 3922:8	3748:22
nonCPA 3941:18	3962:13	objective 3814:16	3749:11,24
3942:13	notice 3742:17	3822:2 3870:25	3750:11 3751:9
nondisclosure	noticed 3746:16	3959:7	3755:2
3685:13 3902:22	3849:10 3889:15	objectivity 3935:1	3758:5,10,14,24
none 3879:13	notified 3963:22	obligations	3759:13
noninteractive	notion 3723:8	3708:5,13,18	3761:16,21,25
3723:10	3822:13,18	observation	3762:5,21
3732:2,8,19	3853:1,2	3727:21	3763:9,13
3741:2,5,19,23	3923:14	obtaining 3886:15	3764:1,9,18
3742:2	nowadays 3871:19	obviously	3766:13,19
3757:11,19	NPD 3838:15	3725:4,5	3768:14,19
3759:1,8 3785:5	NPR 3854:18,19	3765:10,20,21	3769:25 3770:13
3803:13 3804:7	numeral 3963:11	3775:24 3784:21	3771:2,7,17,21
3805:24 3879:14	numerical	3813:17 3825:7	3772:9,18,22
3899:5,17,20	3749:14	occasion 3825:14	3773:10
3900:2,5,11	numerically	odd 3725:8,11	3774:16,21
noninteractives	3887:24	oddball 3933:13	3775:8
3879:25 3880:11	numerous	offer 3721:17	3776:6,13
nonmusic 3834:23	3675:14 3805:5	3722:17 3824:3	3777:15 3778:16
3840:8 3841:3	3809:15 3813:16	3874:25 3875:20	3782:19 3783:1
3931:17,19	3864:21	3893:19 3921:5	3784:25 3785:20
non-music	nuts 3677:18	3922:6 3948:20	3786:25 3787:18
3861:21,22,25		offered 3739:13	3788:2 3789:3
3862:2,3,16		3753:6 3841:7	3790:3
3868:20		3848:6 3888:14	3792:4,22
nonprofit 3809:7	<hr/> O <hr/>	offering	3796:11 3797:20
nonrespondent	object 3709:23	3881:22,24	3820:22 3824:24
3825:21	3768:24 3804:21	offers 3811:7	3826:3 3827:11
nonsensical	objected 3676:5	office 3795:15	3828:13 3829:7
	objection 3676:8	offline 3762:24	3830:3,6 3831:6
			3832:15 3837:11
			3838:7,22
			3840:15
			3841:2,16
			3842:23

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 35

3843:9,11,13 3844:21 3848:17 3849:11 3850:1 3852:7,12 3853:18 3855:17 3856:1 3857:2 3860:6,16 3862:5,24 3863:5 3864:22,23 3865:23 3866:13 3870:18 3894:4,5 3917:14 3919:14 3920:4,15 3921:5,16,22 3922:6 3923:11 3925:10 3926:19 3927:11,14 3934:13 3938:15 3939:3,25 3941:13,15 3942:6,17 3947:22 3949:7 3954:1 3961:1,15,18	3678:17,25 3930:17 on-demand 3723:9 3728:14 3732:3 3735:10 3738:5 3739:24 3740:14 3741:16,18,20,2 2 3742:3 3759:22 3760:2 3761:23 3762:2,18 3785:6 3789:16 3793:7 3802:7 3804:12 3879:8,18 3883:10,12,15 3887:14 3891:15 ones 3774:13 3787:17 3788:1 3799:18 3819:25 3832:22 3834:5 3851:3 3857:11,12 3942:20 one-year 3683:18 online 3728:13 3730:6 3732:8,19 3736:13 3739:15,19,22,2 3 3742:8 3761:9 3763:4,6 3766:9 3770:23 3772:19 3773:2 3775:18 3776:8,10 3778:2,9 3787:23 3788:12 3790:13,24 3791:9,16 3804:18 3814:2,25 3815:1,2,4 3816:5,18 3830:15 3837:6 3879:18 onto 3885:22 open 3684:24	3685:11 3717:16,17,18 3728:9 open-ended 3821:23,24 3829:5,6 3858:18 operate 3775:18 operator 3765:8 opinion 3682:6 3851:24 3890:23 3893:19 3897:12,19 3898:6 3939:17 opinions 3751:21 opportunities 3740:8 opportunity 3751:11 3848:5 opposed 3734:9 3738:15 3790:17 3793:11 3805:25 3821:20 option 3735:8 3737:24 3738:3,7 3786:2 3787:13 3886:1 options 3734:9 3735:6,9 3738:11,12,15,1 6 3739:1,13 3744:10 3753:6 3785:7 3787:10,12,17 3790:20 3794:9 3803:13 3864:10 oral 3830:15 oranges 3865:5 order 3684:2 3717:14 3735:7 3744:2 3753:6 3828:3,25 3832:6 3855:19 3858:16,19 3897:15 3924:8	ordering 3753:24 3858:18,23,24 orders 3828:6 ordinal 3858:12 3859:4 ordinary 3957:25 organization 3755:8 3809:8 3816:22 3924:16 organizations 3809:4 3813:13 3816:16 3817:15 organized 3744:10 oriented 3809:14 origin 3855:1 original 3678:17 originally-filed 3679:1 originating 3854:25 Orioles 3933:6,7 others 3720:5,11,13 3731:11 3741:6 3775:19 3846:6 3857:14 otherwise 3726:22 3826:25 3880:25 ourself 3959:20 outcome 3734:8 3735:19 outline 3679:1 outlines 3817:2 outside 3685:14 3809:1,2 3902:23 overall 3684:25 3832:4 3885:23 overreporting 3935:2 Overruled 3676:10 3678:2
--	--	--	---

Page 36

(866) 448 - DEPO www.CapitalReportingCompany.com © 2015

3877:6,17 3880:4,6 3881:7 3882:9,12,14 3883:9,23,25 3884:3,4,7,11,14 18,20 3885:7,11,14,19, 24 3886:4,8,17,21 3887:17,20 3888:3,10,20,25 3889:4 3890:7,15,18,24 3891:7,16 3892:5,8 3900:18 3901:3,21 3902:2,7 paying 3728:18 3734:9 3760:21 3793:12 3794:18 3824:1 3877:11,18,22 3879:1 3888:17 3894:3,8 3897:16 payment 3683:7 3708:5,7,11,12,1 7,23 3709:20 3710:13,16 3789:14 3923:2 3929:21,23 3930:10 payments 3674:10 3675:18 3684:15 3709:18 3878:14 3922:24 pays 3899:23 3929:9 P-E-D 3673:20 Pedersen 3671:2 3672:3,11 3673:8,17,20 3676:2,12 3678:5,13 3679:12,16 3680:4,6 3682:12 3683:3	3708:3 3709:8 Pedersens 3673:17 Pedersen's 3675:24 Pederson 3673:21 peel 3878:24,25 peer-reviewed 3919:5 penalty 3794:6 Pennsylvania 3718:20 penny 3936:18,19 people 3680:21 3682:7 3723:19 3724:14 3725:3,14 3726:14 3728:1 3729:5 3730:8,12,13,24 3732:6,19 3734:1,8 3735:17 3737:19 3738:24 3739:18,20 3740:8 3741:4 3742:4,5 3744:9,19,20,25 3745:18 3753:3,7 3755:22 3757:11,17,19 3758:12 3759:1 3763:15,17 3765:23,25 3775:5,17 3776:2,7 3779:19,24 3788:16 3789:18,23 3790:4,13,18 3795:14,15 3800:19,20 3801:7,9,12 3802:6 3803:4,15,19 3805:22 3815:2,12	3818:11 3819:2,5,10,14,1 8 3821:13 3822:11,22 3823:19 3824:13 3826:16 3828:21 3831:10 3832:6,21 3833:9,13 3834:12,20 3838:3,18 3839:17 3840:6 3845:4,16 3846:15 3847:9,16,25 3848:3,9,10,18 3850:14,21,24 3851:14 3852:9 3853:3,21 3854:3,10 3856:1,14,18 3857:18 3858:2,22 3859:16,18 3863:10,12 3864:1 3865:4,17,25 3866:10,15 3867:3,6 3868:1,5,13,15 3869:8,25 3871:24 3885:13,18,25 3892:5 3901:2 3928:11 3929:15 3930:7 3931:13 3932:5,13,15,22 3935:11 3958:5,15 3959:17 3960:9 people's 3727:10 3788:5 3791:23 3846:5 3862:8 3871:2 3919:4 3959:9 per 3818:5 3823:1 3847:12 3855:24 3889:20 3893:11 3951:3	perceive 3821:8 percent 3724:16,18,19 3727:13,17,18 3729:2,9,10,11 3730:11,16,21,2 3,24 3732:12,17 3733:2,3,8 3734:4,5 3737:21 3738:1,3,4,9 3740:4,10,13 3741:9 3743:12 3745:15 3757:11 3758:11 3759:1,11 3777:11,12 3778:6,10 3779:24 3783:23,24 3790:13 3799:3,7,10,12,1 7,23,24 3812:22,23,25 3813:2 3819:3,4 3820:3 3821:14 3832:8 3833:7,16 3834:24 3835:13,15,17 3836:6,9 3845:19 3847:21 3848:23 3849:3,4 3850:4 3851:10 3852:14 3857:6,7,11,13,1 4,25 3860:2,7,14,19,2 2,24 3864:5 3867:23 3868:1,2,5,6,12, 14,15 3885:10 3886:8,23 3890:25 3891:1 3927:23 3928:9,23 3931:25 3932:2,13,14,18, 20
--	---	--	--

percentage 3724:16 3729:5,23 3738:8 3772:25 3775:23,25 3791:20 3792:20 3800:9 3803:7,22 3820:25 3885:6 3922:25 3923:1,14 3924:10 3927:19,21,22 3931:8 3944:5,8 3945:13 3949:18 3950:18,25 3951:8	3787:20 3788:7,13 Permission 3948:5 permitted 3825:4 perpetuity 3794:8 per-play 3944:17 3945:3,12,17,20 3946:7,14 person 3814:15 3823:2,3 3846:11 3854:19 3860:3 3867:4 3871:6 3934:20 3936:3 3957:15 3958:17	3851:25 3889:25 phrases 3752:1,5 3795:3 3842:12 physical 3677:15 3727:9,15 3936:6 pick 3798:3 3856:2,8 3858:2 3865:12 3954:20 3957:14 picked 3817:8 3943:4 pictures 3882:11 pie 3754:24 3759:14 3790:7 piece 3748:18 3861:5 3930:1 pieces 3897:2 pig 3960:2 pilot 3795:9 3796:16 3797:4,6,8 pilots 3796:20 pinning 3744:12,13 pirate 3892:6,12 Pittsburgh 3918:6 3931:23 placed 3722:3 3789:25 placement 3862:25 plain 3844:12 plan 3831:21 planet 3676:17 planning 3675:4 plausible 3946:23 play 3681:11,20 3761:22 3764:11 3812:4 3828:13 3835:24 3837:8,9	3846:10 3847:1 3854:14 3866:4 3870:3 3889:20 3933:7 3951:3 3961:13 played 3682:2 3839:15 playing 3762:18 3860:5,7 playlists 3760:24 3761:2,6,17 plays 3676:24 3683:16,21 3827:11 3846:24,25 3847:20 3858:14 3865:18,20 please 3673:5 3685:14 3717:25 3718:4,7,11,16 3719:3,7 3722:9 3723:15 3734:12 3746:12 3748:14,24 3750:25 3751:3 3756:14 3759:15 3773:14 3795:7 3806:16 3807:6,19 3808:18 3809:10 3810:13 3811:2,14 3832:13 3833:20 3843:9 3853:24 3872:17 3873:2,7,15,22 3875:16 3878:11 3882:7,23 3902:23 3917:5 3960:25 3961:19 pledge 3717:12 Plenty 3934:22 PLLC 3669:18 plus 3730:13 3783:24 3795:16 3800:15 3801:3
percentages 3727:16 3741:10 3805:6,7 3825:7 3848:20 3859:5	personalities 3681:15 personality 3814:12 personally 3854:1 perspective 3847:4 pertinent 3725:6 Peterson 3671:13 3872:11,19,25 3873:5 3874:25 3875:2,7 3876:3 3881:18 3885:5 3892:15,23 3893:4 P-E-T-E-R-S-O-N 3873:6 Pew 3754:7 3755:4,7 Ph.D 3671:10,16 3807:24 3872:19 3873:19 3918:9		
percentile 3858:1,4,6 3868:17			
percentiles 3857:23 3867:21 3868:19			
perfect 3803:1 3859:10			
perform 3942:13			
performance 3668:9 3874:20 3877:6,17 3881:7 3898:4,23 3949:18			
performed 3941:17 3942:10			
perhaps 3767:23 3880:9			
perimeter 3827:13			
period 3877:4 3880:19,20 3881:13,14 3919:3	phone 3727:20 3795:20 3830:19 3831:13 3832:22 3883:15 phones 3723:24 phrase 3844:8,10		
permanent			

podcast 3721:10	3899:2 3902:18	pots 3955:24	prepare 3721:24
point 3680:15	3938:17,24	power	prepared 3882:10
3729:12 3730:17	3949:5 3963:21	3802:12,20,25	preparing
3732:21,23,25	pool 3929:18,19	3874:19 3891:9	3948:17
3733:6,9	pop 3870:7,9	3955:18	present 3670:16
3757:15 3759:11	popular 3681:18	practice	3738:14 3777:17
3765:17 3798:13	3761:7	3719:14,24	3857:7 3882:5
3802:7,12,16	population 3724:1	3809:9 3829:15	presentation
3812:9 3815:6	3726:13 3730:21	practices 3925:20	3798:25 3853:10
3816:9 3819:6	3775:24 3800:25	pragmatic	presented 3774:17
3827:7	3803:22	3823:12	3783:5
3839:22,25	3817:22,24	pre-1972 3726:8	3789:8,10
3841:11 3846:19	3837:25	preceded 3933:9	3882:8
3892:1 3897:23	3838:8,11	preceding 3781:10	president 3718:25
3898:22	3846:3 3871:19	precise 3727:12	3873:21
3899:1,8	portions 3962:24	precisely 3765:22	presidential
3902:20	posed 3729:12	3848:2 3899:14	3719:12
3924:20,25	position 3673:23	3943:3	Press 3719:12,20
3925:1 3929:4	3718:24	predictable	presumably
3934:16	positions 3767:3	3681:6	3772:4 3854:23
pointed 3804:11	possibilities	prediction 3803:3	3895:14 3900:3
3805:4 3891:1	3944:14	predictive	presuming
3892:11	possibility	3802:12,20,25	3776:11
pointing 3803:12	3826:12,16	prefer 3886:20	presumption
3832:10	3829:18 3846:13	preferable 3881:6	3820:9
points 3680:7,8	3881:3 3885:25	preferences	pretest 3795:9
3730:4	possible 3731:14	3858:13 3862:8	3796:16 3797:9
3731:3,6,8	3735:2 3738:7	prefers 3886:15	3824:13 3831:19
3796:14 3816:8	3743:9 3814:23	prejudice	3832:9 3845:8
3821:5,7	3820:11 3823:15	3672:6,7	3850:24 3851:5
3844:24 3849:16	3871:13 3886:19	3751:10 3782:13	3866:9,12,14,15,17
3850:2	3923:22,25	premise 3856:13	pretested
3852:5,8,17,18	3928:2,7	premium 3728:25	3795:11,13
3859:8	possibly 3794:23	3729:4,18	3828:19
3861:8,19	3797:1 3823:16	3732:10	pretesting
3864:12 3869:24	3931:15	3757:2,13,24	3831:3,5,8
polling 3719:6	pot 3928:11	3759:3,9	pretests 3796:20
3755:9	3929:21 3931:8	3762:11	3845:3,11
polls 3719:11,19	3944:9 3951:16	3883:10,20,23,25	3852:6 3864:24
Pomerantz 3669:3	3956:1,7	5 3884:2,22	pretty 3685:7
3671:14	potential 3744:1	3885:7	3761:13
3875:1,22	3745:12 3753:2	3886:6,16,17	previous 3730:9
3892:22 3893:3	3814:12		3781:5 3794:16
3894:22,25	3832:10,11		
3895:1	3955:16		
3897:2,3,5			
3898:12,16			

3821:23 3846:19 previously 3679:24 3776:14 3786:25 3790:23 3809:20 3832:3 3834:9 3863:8 3874:14 price 3729:12 3730:4,17 3731:3,6,8,10 3732:21,23,25 3733:6,9,23 3757:15 3759:10 3765:17 3766:2 3802:7,12,16 3884:12 3886:4,6 3887:13,15 3888:2,15 3891:8,13,19,21, 22 3892:2 3959:5,11,13,19, 24 3960:7 prices 3731:14,20 3822:10,13 3887:13,21 3888:7 3889:2,3,19 3890:14,19 3891:23,25 3892:9 3959:9 pricing 3891:14 primacy 3745:13 primarily 3963:1 primary 3719:9,13 3723:7,12 3741:14 3816:25 prime 3826:20 Princeton 3718:18 3918:25 principal 3923:20 principally 3677:11 principle 3895:10	principles 3924:4,23 3925:22 3926:11 3930:15 3946:17 3955:6 3959:17,22 3960:5 print 3749:23 printed 3749:21,22 printing 3678:24 printout 3749:6,17 3754:6 printouts 3717:8,9 3748:9 prior 3769:20 3772:4 3813:20 3818:9,10 3823:20 3826:9 3839:20 private 3677:4 prizes 3816:9 probably 3719:10 3782:9 3793:24 3796:25 3801:22 3836:8 3847:23 3872:12 3892:1 3902:18 3928:5 3937:17,18 3938:18 3943:18 problem 3744:18,20 3825:22 3830:14,22 3845:16 3863:21 3866:21 3871:17,20 3928:18 3929:8 3932:23 3933:23 3934:5 3954:22,25 3956:4 3958:19 problematic 3864:20 problems 3681:10	3795:21 3824:14 3831:14 3864:2 3951:17 3958:25 procedural 3936:14 procedure 3743:25 3936:12 procedures 3814:23 3937:6,11 proceeding 3721:25 3722:25 3725:6 3741:13 3747:22 3767:11 3768:1 3810:11 3811:19,20 3837:1,20,23 3874:21 3875:8 3892:17 3893:10 3942:24 3964:6 proceedings 3965:5,7,10 process 3675:19 3677:18 3683:11,23 3684:13,17,25 3685:7 3708:10,11,22 3751:19 3795:13 3796:7 3825:19 3891:23 3925:7 3928:12 produce 3824:7 3826:17 3834:9,14 3840:22,25 produced 3747:22 3748:4,8 3750:6 3772:3 3783:8 3812:17 3846:16 produces 3840:18 3848:5 product 3684:10 3685:4 3764:24 3765:4 3766:4 3802:11 3864:16	production 3769:4 products 3763:3 professional 3678:1 3813:18 3919:4,6,18 professor 3767:14,16 3807:1,15 3810:4,6,10 3811:18 3817:20 3820:13 3825:3 3828:24 3831:1 3836:11 3858:9 3867:15 3869:1 3917:12,18 3918:13,18,19,2 2,24 3921:6,9,12 3922:13 3923:12,22 3925:11 3933:11 3934:15 3938:15 3939:10,17 3940:11 3941:5,25 3944:3 3947:1,5,9,15 3948:4,16,22 3949:15,16,25 3950:17 3951:7 3952:1,4,8 3953:8 3954:14 3960:12,23 3961:6,21 3962:14,21 3963:2,8,17,18 proffering 3781:4 profile 3818:14 3819:23 profit 3894:13,15 3895:7,16 profits 3892:3 program 3681:25 3747:23 3748:3,12 3774:23 3783:8 3812:18 3849:13 3852:15 3861:11
---	--	--	---

3929:14 programatic 3813:3 3823:10 programming 3823:10 3840:13,18 3842:21 3843:19 3854:16 programs 3747:17,23 3750:5,18 3823:24 3862:9 3919:12 projections 3677:13,14 projects 3720:16 prominent 3731:10 promoted 3674:1,22 promoting 3763:3 promotion 3876:8 3902:16 prompted 3850:17 prong 3922:22 3945:22 3946:9,16 proper 3743:25 properties 3859:7 proposal 3679:13 3680:17 3922:21 3923:3,15 3927:20 3929:5,7 3931:5 3933:24 3934:18 3944:9 3945:21,24 3946:1,9 3950:24,25 3952:19 3956:14 3958:9 propose 3734:20 3837:19,22 proposed 3679:17	3729:13 3794:13 3862:7 3922:24 3953:23 proposes 3928:10 proposing 3679:18 3748:16 pros 3951:5,7 prove 3826:11 proven 3725:13 provide 3753:3 3774:2,3,6 3840:13 3851:23 3882:15 3896:2 3942:13 3950:2,8,12 3958:11 provided 3678:19 3742:25 3744:2 3753:15 3756:20 3767:10 3770:23 3773:2 3784:17,18 3796:24 3812:22 3818:3 3843:1 3942:12 3949:12 3950:11 providence 3740:20 provider 3813:24 provides 3816:22 3849:11 3882:3 3900:21 providing 3708:6,7 provision 3709:20 3794:14 prudent 3880:23 psychology 3829:22 public 3668:11 3673:2 3679:1 3685:15 3708:1 3711:1 3717:1,12 3723:13 3751:21	3844:4 3892:24 3902:24 3917:1 3920:12 3965:13 publication 3919:23 publications 3808:19 3919:14 publicly 3775:12 3959:18 publicly-available 3769:12 published 3808:22 pull 3683:13 3717:21 punish 3848:10 purchase 3765:21 3787:14 3788:15 purchasers 3728:2 purchasing 3725:4,25 3726:6,7 3727:9 3765:5,18 3787:13 3803:2,8 Purdue 3807:23 pure 3949:17 purpose 3780:21 3859:17 3892:16 purposes 3680:1 3837:11 pushing 3822:16 putting 3677:12 3824:23 <hr/> Q <hr/> qualification 3886:11 qualified 3721:22 3802:18 3810:7 3818:21 3875:3 3921:10 3937:16 3938:11 qualifies 3824:22	qualify 3736:6 3820:9 3935:7 qualitative 3831:9,16 3835:8 qualitatively 3831:10 quality 3683:19 3684:7 3764:2,6 3819:20 3826:18 3827:22 3828:22 3831:25 3864:6 3888:15,16,18 quantitative 3820:24 3866:15 quarter 3868:15 question 3685:10 3709:2,4 3710:23 3724:11,23 3725:1,9,17 3726:15,21 3727:7 3728:8,9,10,12,1 3,23 3729:6,11,16,23 3730:6,9 3731:21 3732:5 3733:19 3734:16,18,19 3735:20,23 3736:9 3737:6,19 3739:4,7 3741:3 3742:11,14 3743:24 3744:11,14,18 3750:4,13 3752:2,7,18,21 3753:12 3754:2 3755:22 3756:24 3766:18,25 3770:7 3771:19 3772:25 3773:8,23 3774:3 3781:19 3782:10 3785:12,14,16,1
--	---	---	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 42

8,21,22	3961:9	3845:11 3848:16	3791:8 3811:24
3786:4,6,10,15	questioner	3849:1 3851:3	3812:3,19
3787:1,11	3752:12	3853:8 3855:21	3818:4 3819:9
3788:3 3789:1,2	questionnaire	3860:1	3823:18
3790:5	3728:10 3734:18	3866:11,20,25	3826:6,14,17
3792:8,23	3754:6	3867:13 3869:1	3827:7 3833:11
3793:2	questions	3871:4 3892:21	3835:9,23
3794:16,18,19,2	3708:4,25	3899:4	3836:1 3837:6
0,24 3795:6	3709:3 3725:11	3938:16,25	3838:4 3839:13
3797:4	3726:10,11,12,1	3939:18 3952:12	3840:3,11
3798:15,17	8 3727:1	3960:17 3962:10	3841:20 3842:5
3800:17 3801:10	3736:11 3737:3	quick 3870:19	3843:7
3802:21	3740:3 3742:13	quicker 3675:21	3845:14,18
3804:1,23	3743:7,8 3744:6	quickly 3820:5	3846:20,22
3805:13 3816:11	3745:13 3746:3	3832:19	3852:9 3853:12
3819:8	3747:14 3750:7	quite 3748:10	3854:8 3859:19
3820:16,20,23	3751:20	3771:11 3822:22	3865:20 3870:2
3822:3	3752:1,5	3833:17 3835:10	3874:17 3896:5
3823:2,6,11,13	3753:8,10,11,13,	3853:4 3892:7	3900:8 3931:24
3826:5,8,9,22	22 3755:23	quote 3755:17	3932:1 3954:11
3829:8	3756:5,16,21,25	3767:8,11	raise 3917:5
3831:7,23	3759:19 3764:18	3860:12 3924:21	raised 3750:4
3832:1,8	3766:11	quoted 3720:23	ran 3748:4
3838:22,23	3770:3,20	3920:2 3943:3	random 3735:7
3839:21	3775:3	quoting 3783:22	3961:24 3962:6
3841:6,15,24	3781:7,9,20	3962:1	randomize
3842:18,19	3782:24		3829:10 3830:12
3843:6	3783:2,10,13		randomized
3845:5,13,14	3785:19,24		3828:6 3829:1
3846:9 3849:23	3788:18		3845:24
3853:9,15,20,23,	3789:4,13		3846:2,14
25 3855:20	3792:5 3793:20		3858:18
3858:9,17,23,24,	3794:3,11		range 3774:4,7,11
25 3859:23	3795:11,14,16		3775:5 3783:1
3862:6,17	3797:12,21		3812:25 3942:20
3863:14 3864:2	3798:5,10,12		3954:11
3865:13	3800:2,11		rank
3866:8,16,22	3802:4,5		3858:16,19,23,2
3867:4,14,17	3803:12		4 3862:2
3869:12,14,17	3804:6,12		ranking
3870:2,5,19	3805:20 3806:10		3858:12,13
3877:15 3891:18	3818:23		ranks 3918:15
3892:15	3819:12,16		rate 3815:21
3894:19,24	3820:5 3821:23		3819:4
3897:4 3923:22	3827:17,18		3833:7,16
3939:24 3940:5	3828:20 3829:5		3837:19
3942:22 3949:22	3831:14		
3950:4 3952:6	3842:9,12		
3953:10 3958:14	3843:5,12		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 43

3877:19,23 3879:25 3880:1,7,11,13 3881:6 3893:6,16 3894:20 3895:12,15 3897:15 3944:5 3945:21 3946:4,9,14 3949:18,19 3952:19 rates 3668:8 3679:17 3776:14 3833:3 3837:22 3876:21 3877:5,10,18,19, 22 3878:5,15,19,23 3879:2,21 3880:14,25 3881:6,8,14 3893:20 3894:4,9 3895:22,23 3896:1,22,23 3897:7,8,17,24,2 5 3898:2,4,7,10,11 ,12,15,19,23 3899:22,24 3942:24,25 3943:7 3957:19 rather 3724:10 3743:9 3744:22 3745:17 3804:2 3880:13,25 ratio 3859:9,11 3887:13 3889:19 3890:6,14 rationality 3928:1 ratios 3889:18 Rdio 3728:19 3729:21 Re 3668:6 reach 3757:7 3877:25	reached 3741:12 3812:14 3897:22 reading 3679:22 3842:23 3870:9 3897:2 reads 3842:19 3869:13 ready 3718:1 3832:16 3872:11 real 3765:6,11,13,14, 19 3865:1 3871:7 3918:12 3919:10 realistic 3847:8 realize 3865:23 really 3675:20 3680:8 3745:7 3792:24 3822:5,17,22 3823:5 3824:1,10,15 3829:10 3830:2 3833:15,17 3836:7 3839:19 3840:22 3841:5,6 3850:5 3858:21 3859:8 3861:13 3867:10 3871:10 3878:23 3889:5 3890:16 3898:25 3920:23 realm 3874:1 reanalyze 3877:24 reason 3797:12 3801:8 3822:17 3826:24 3840:17 3862:9 3864:19 3868:19 3871:21 3886:2 3889:6,10 3890:3 3896:4 3954:19 reasonable 3680:21 3682:7 3815:20 3818:2	3821:16 3828:21 3831:19,21 3849:17 3850:20 3864:22,23 3865:8 3897:7 3923:19 3930:13 3958:14,16 reasonably 3851:16 reasons 3801:18,24 3814:3 3822:10 3871:25 reason's 3826:10 rebuttal 3672:3,15 3721:24 3722:8 3754:12 3767:1 3783:20 3810:11 3875:7 3876:19 3883:3 3896:18 3947:11,16 3948:17 3950:1,20 3952:2,9 3963:9,10,14 rebutting 3767:2 REC 3671:2 recalculate 3897:14 recall 3766:6,16 3770:12 3771:19 3772:14,21 3785:9 3786:24 3791:1 3797:10,19 3798:8,17,22 3799:14,15 3800:6 3802:8 3803:9,16 3806:2 3831:23 3857:19 3899:6 3902:6 3950:4 recalling 3773:10 receive 3764:3 3820:1 received 3750:21	3808:5,14 3827:19 receiver 3837:14 recency 3745:13 3755:17 3830:7,13 recent 3766:14 3778:13 3830:10 3899:18 3920:2 recently 3673:25 3874:16,20 3929:13 recess 3746:9,11 3751:1 3806:14,15 3872:14,16 3962:17 recognition 3926:12 recognize 3678:7 3722:5 3848:2 3883:19 recollection 3745:8 3770:16 3771:14,16,23 3773:5 3777:15 3947:21 record 3673:18 3675:13 3718:5,10 3719:22 3755:8 3757:17 3774:10 3797:8 3802:14 3807:9 3917:18,22 3942:1 3948:14 3952:10 3965:4 recording 3668:8 3797:11 3835:19 3862:23 3863:7,19 3865:14 recordings 3668:9 3836:7 3877:7 recreated 3881:21
---	--	--	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 44

red 3671:2 3730:10 3738:1 3834:6,7 redirect 3709:3,5 3868:24 REDIRECT- EXAMINATIO N 3798:1 refer 3812:20 3813:9 3837:12 3838:14 3841:9,14 3922:22 3947:22 refereed 3919:5 reference 3722:14 3792:8 3816:2 3827:25 3919:4,18 referenced 3683:11 references 3887:15 referred 3740:16 3747:14 3789:15 3947:24 3952:13 referring 3781:25 3840:1 3841:9 3926:2 reflect 3765:4 3820:16 3823:4 reflected 3729:16 3733:14 3739:5 3741:1 3770:21 3823:11 3848:15 3860:2,17 3890:25 reflection 3891:9 reflects 3886:23 refresh 3771:14,16,23 3947:20 refreshing 3770:15 refused 3774:2	3782:16,18 3800:3 3801:13 regard 3676:5 3726:6 3731:3 3740:16 3744:18 3783:17,20 3792:23 3795:1 3805:22 3845:13 3850:13 3855:8 3876:6,25 3877:21 3879:23 3881:12 3891:14 3898:4 regarding 3710:12 3784:10 3900:15 Rege 3931:25 3932:6,13,16,19 3934:1 region 3724:2 regret 3802:2 regular 3790:25 3791:23 regularly 3736:21 3874:5 regulation 3874:1 3938:6 regulations 3938:1,2 3953:23 3957:13 3960:8 REIN 3669:13 3670:3 relate 3727:21 3780:20 3796:14 related 3674:14 3804:1 3816:24 3878:4,17 3890:19 3965:6 relates 3741:1 3780:18 relating 3719:14 3720:20 3762:15 3782:24 3796:14 relationship 3887:20 3888:2	3889:3 3890:23 relative 3811:22 3812:17,18 3816:19 3834:19 3840:7,12 3841:2 3844:11,17 3847:3 3849:21,23,25 3850:1 3851:25 3852:18 3853:4,5 3855:7,15 3856:10,11,21 3858:14,24 3860:2,21,22 3862:2 3864:13 3881:1 3883:10 3889:19 3945:24,25 3946:1,3 3959:5 3965:8 relatively 3724:16 3801:22 3803:6,21 3871:10 relaying 3753:14 released 3791:12 relevance 3780:23 relevant 3725:2 3781:12,15,17 3818:14 3840:17 3862:15 3900:22 3950:9,11,13,19 3951:9,20 3953:1,11,13,16, 25 relevants 3950:2 reliable 3826:25 3827:19 3833:4 3835:11 3870:21 3872:1 relied 3754:9,11,18 relies 3963:8 Religious 3670:2	rely 3871:1 3881:10 remain 3717:18 3820:2 remaining 3813:2 remember 3743:13 3858:17 3879:6 3947:25 remove 3946:8,15 removing 3923:8 3945:22 reordered 3892:24 repeated 3827:6 repeating 3828:14 repeats 3869:16 rephrase 3800:17 replace 3735:2 3738:20 3776:7 replacement 3935:21 3936:7 replacement's 3936:4 replacing 3739:3,12,23 3740:21 report 3708:6 3724:4,8 3727:22 3737:11,13 3756:10 3768:10 3773:24 3774:16 3778:14 3779:1 3780:12 3782:8 3799:9,13 3805:22 3810:1 3819:1 3827:24 3828:11 3843:2 3862:22 3865:23 3866:2 3878:13 3889:16 3897:14 3898:13 3901:2 3920:3 3921:16 3926:16,18,21 3930:20 3931:20
--	---	---	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 45

3932:24 3933:24 3947:22 3951:12,21 3952:13,24 reported 3736:25 3737:13 3778:9 3781:21 3798:7 3799:3,4 3836:10 3900:17 3901:10 REPORTER 3965:1 reporting 3670:24 3791:15 3848:19 3900:20 reports 3708:12 3758:4 3766:14 3775:10 3777:16 3779:18 3781:6,10,23 3782:22,23 3808:24 3874:12 represent 3747:12 3815:13 3867:22 3939:12 3942:25 representation 3710:2,12 3816:2 3849:18 3862:8 representative 3723:18,23 3812:10 3841:20 3871:18 represented 3883:13 representing 3917:19 represents 3884:25 reproduction 3883:2 request 3750:22 3771:25 3796:14 requesting 3845:12	require 3708:6 3942:7 3943:8,9,17 required 3829:2 3941:22 requirement 3923:8 3925:3 3934:19 requiring 3923:5 rerun 3684:1 research 3718:22,24 3719:4,5 3720:15,18 3721:1,18,19 3746:1 3753:19,23 3754:7,8 3755:4,7,15,21 3766:9 3768:7 3782:7 3808:2,4,6,11 3809:18 3810:5 3813:14,19 3816:16,17 3817:6,8 3821:3 3827:22 3828:1 3829:22 3873:25 researcher 3826:11 reserve 3750:15 residents 3817:25 respect 3708:4 3755:22 3789:14 3811:22 3876:10 3923:13 3958:24 respected 3755:8 respond 3753:7 3765:25 3767:25 3802:6 responded 3737:6 3819:3 3845:17 3850:15 respondent 3753:16 3773:24	3774:8,12 3793:15 3801:18 3824:22 3825:12 3826:20 3828:12 3830:1 3839:22,25 3882:14 3901:22 3902:9 respondents 3724:11 3732:23 3742:25 3744:3 3745:9 3752:6,16 3753:20 3755:16 3756:22,25 3760:4,7,23 3761:21 3762:22 3763:9,18 3764:1,9,20,23 3765:3,16 3766:1,7 3772:18 3773:1,7 3774:2,6 3785:12,17 3786:3 3787:11 3788:20 3789:4 3797:16 3798:7 3800:3,8,9 3818:19,21 3819:22 3825:15 3826:6 3838:25 3839:3,9 3842:2 3844:14,19 3845:20 3848:22 3849:1 3851:23 3855:6,7,14 3860:18 3862:1,13 3870:1 3882:9,13 3884:18,20 3885:2,6 3886:4 3887:21 3891:2,3,4 3901:17 responding 3767:8 3899:14 response 3710:10	3747:13 3749:15 3750:22 3753:6 3781:1,6 3785:11 3786:23 3787:2 3790:4 3796:13 3815:21 3819:4 3833:2,7 3850:20 3878:2 3951:25 3958:13 responses 3739:19 3753:15 3757:18 3783:2,9 3786:16 responsibilities 3674:3 3675:1 responsibility 3674:9 responsible 3674:13 rest 3832:24 3852:16 3876:18 restricted 3678:25 3685:16 3711:2 3843:23 3844:2 3902:25 restricting 3936:2 restricts 3935:16 result 3681:5 3724:10 3740:2 3750:9 3788:23 3789:6 3805:24 3831:5 3835:5 3858:23 resulted 3818:17 results 3672:6,7 3680:13,23 3726:21 3727:13 3728:22 3730:8 3732:11,24 3733:5 3741:7 3745:24 3748:2 3749:7,20 3756:21 3774:16,18 3775:4 3783:16,23
---	---	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 46

3793:20 3794:23 3805:5 3811:22 3826:25 3827:19 3828:5 3829:14 3833:1,5,23 3834:2 3856:21 3863:5,23 3864:7 3867:17 3877:20 3878:20 3881:20,21 3882:1 3900:16 3901:10 3926:15 retail 3888:2 retake 3851:10 retention 3744:20 return 3880:18 3881:1,12 revealing 3745:18 revenue 3672:12 3675:12,16 3677:13,15 3680:18 3681:24 3682:16 3919:21 3923:1,15 3925:19 3926:12 3927:20,21,24 3928:11,17,19,2 1,22,25 3930:1 3931:7 3944:2,5,8,9 3945:13,22 3946:8,16 3949:19 3950:18 3951:8,15 3953:4 3955:24 3956:6,7 3961:2 3962:5 revenues 3920:1 3924:10 3928:13,14 3932:7 3944:13 3954:15,22 3955:4 Reverend 3790:19 reverse 3855:18 3856:6	review 3683:19 3684:4 3834:4 3876:5 3879:10 3881:18 3919:24 reviewed 3679:12,19,24 3709:25 3876:12 3887:4 3896:17 rewards 3896:12 reword 3863:24 Rhapsody 3676:19 3728:19 3729:20 3735:11 3738:6 3739:25 3740:15 RICH 3669:6 3748:14 rid 3925:2 right-hand 3709:15 3792:12 rights 3681:1 rigor 3940:6,9,10 rigorous 3940:7,8 rigors 3940:2 risk 3764:25 3790:18 risks 3896:12 3949:17 Robin 3852:20 rock 3840:23 3856:14,15 3865:10 3870:7,10 role 3674:3 3675:10 3940:14 roles 3723:11 rolled 3675:7 Roman 3671:16 3917:6,23 3963:10,11 R-O-M-A-N 3917:24	room 3685:13 3795:20 3865:25 3902:22 3927:9,16 3930:8 3959:18 3960:9 Rosin 3671:6 3717:2,25 3718:4,6,21 3721:18,21,24 3722:24 3724:23 3738:14 3742:12 3747:9,13 3748:4,24 3750:19 3751:18 3756:14 3757:6 3758:2 3759:15 3764:22 3772:14 3773:21 3777:4 3778:24 3779:17 3780:10 3781:4,8 3782:21 3785:2 3786:16 3788:18 3790:11 3791:5 3795:9 3796:1 3798:3 3802:17 3805:20 3806:12 R-O-S-I-N 3718:13 Rosin's 3756:10 rotate 3743:10 3744:1 3745:9 rotated 3743:8,17 rotating 3745:17 rotation 3746:21 3747:2 roughly 3709:17 3886:8 rounded 3834:7 royalties 3676:23 3889:20 3923:14 3953:7 royalty 3668:2,7,20 3672:5 3674:13	3684:3,14 3922:24 3923:2 3930:9 3933:18 3936:13,17 3937:8 3939:20,22 3940:2,4,7,23 3941:17 3945:3,12,13 3950:18,25 Rubinfeld 3887:11 3888:7 3889:17 3890:5 3900:15 3963:8 Rubinfeld's 3876:16 3887:4,8 3888:5,9 3892:18 3900:24 3963:2 rule 3676:9 3727:22 3769:11 3820:10 3825:18,21 3936:10 3937:13,14,15,2 1 3959:21 rules 3680:19 3961:14 ruling 3771:13 run 3737:1 3750:5 3795:9 3801:9 3821:25 3832:20 3919:12 3956:17 running 3747:17 3774:23 3901:15 Rushing 3670:17 Russo 3670:24 3965:3 Ryan 3681:18,20,25 <hr/> S <hr/> sad 3856:25 sake 3731:13
---	--	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 47

sale 3677:5,9	scatter 3734:8	3847:11 3858:13	3815:23
sales 3673:24	schedule 3683:7	3861:16 3862:17	self-terminated
3674:6	school 3718:19	3864:1 3869:3	3833:15
3928:15,16	3802:1 3807:15	3875:5	seller 3942:17
salesman 3935:22	3918:3	3882:20,24	3943:2 3956:3
sample 3723:19,23	3935:13,25	3886:20,22	sellers
3727:14 3728:24	3936:5	3888:21 3930:4	3943:7,10,13,16,
3729:2,24	science 3685:3	3934:16 3959:8	21
3732:13,14,17	3808:17 3809:6	secondary	selling
3733:2,15	3918:16,17	3892:18	3959:5,11,12,19,
3741:23	scope 3675:23	Secondly 3813:17	24 3960:7
3783:21,24	3677:21 3780:19	3814:9 3822:20	sells 3929:8
3800:25 3801:11	3806:8 3940:23	3835:11 3846:4	sends 3929:15
3812:10 3818:18	3951:25	section 3678:23	senior 3677:5
3831:20 3832:17	SCOTT 3669:19	sector 3738:23	3684:4 3919:13
3833:3,18	screen 3717:7	seeded 3736:5	sense 3684:9
3841:20,21	3723:3 3762:19	seeing 3684:8	3723:12 3724:13
3845:24 3846:2	3792:9 3843:3	seek 3790:19	3725:22 3727:23
3850:7 3854:19	3869:8 3922:16	seeking 3742:6	3765:10 3793:20
3857:2 3866:19	screened	seem 3817:10	3797:4,7
3901:16,18,22	3819:14,25	3864:18 3946:19	3815:11 3819:15
sampled 3818:6	screeener 3819:11	seemed 3815:1	3839:8 3933:20
sampling 3801:13	3846:9 3853:20	seems 3725:7,15	3953:16
3846:14 3871:17	screening 3818:23	3743:10 3780:18	sensitivity 3766:2
San 3674:7 3919:2	3819:12	3878:23 3897:23	sent 3930:11
sang 3933:22	screenshot 3869:7	3946:20,23	sentence 3755:14
sanity 3889:25	Seacrest 3681:18	seen 3749:22	3792:16 3797:2
satellite 3721:9	3682:1	3762:12,15	3869:11 3944:24
satisfaction	Seacrest's 3682:8	3775:4 3805:5	3954:12 3960:23
3817:9	seated 3673:5	3823:20 3887:19	separate 3866:17
satisfied 3684:11	3746:12 3751:3	3922:22 3938:22	SEPARATELY
save 3781:21	3806:16 3872:17	3939:1 3942:4	3685:16 3711:2
saw 3732:16	3917:5	3951:22 3952:15	3902:25
3741:8,11,19	sec 3675:3 3791:3	3955:14,22,23	separation 3959:4
3742:4 3743:8	3919:7 3920:13	3957:1,9,24	September
3745:15 3762:14	second 3680:12	segment 3814:25	3674:23,24
3824:2 3866:16	3683:6,18	3854:5	series 3720:15
3869:8	3723:12 3737:22	select 3731:7	3724:6 3756:24
3929:18,19	3755:14	selected 3815:25	3768:16 3769:13
scale 3849:17	3786:1,2,18	3866:18	3803:11
3859:9,10,11	3791:14 3829:17	selecting 3886:1	serious 3764:25
3869:22	3832:5,8	selection 3835:25	serve 3723:11
scaling 3821:2	3835:22	self-selected	3892:16
3859:7	3843:9,14		

served 3769:2 3809:5,20,23 3874:7,10,14 3919:6,11 3920:4,6,8 3921:1	3734:21,24 3735:3 3736:13 3738:22 3739:15,20 3741:2,16,19,20, 22,24 3742:2,4,7,8 3757:20 3759:8 3761:10,16,18 3762:1 3763:2,13,22 3764:5,15 3768:12 3775:3,18 3779:20 3785:5 3788:8,13 3789:11,16 3790:14 3793:7 3803:14 3804:7 3805:24 3812:11 3813:4 3815:1 3816:23 3824:4 3834:24 3836:3 3837:23 3876:14 3882:10 3885:20 3886:10,12,14,2 4 3887:14 3890:8 3891:15 3892:6,10,12 3899:5,17,20 3900:2 3926:20,23,24,2 5 3927:2,3,15 3940:12,20 3951:18 3963:4,14	3880:1,13 3881:14 3893:16 3894:21 seven 3681:12 several 3743:3 3749:4 3756:1 3795:17 3796:13 3817:7 3823:20 3834:3 3835:17 3854:3,11 3855:20 3867:9 3883:7 3929:10 share 3720:25 3721:1 3861:8 3884:25 3885:1 3946:16 shared 3673:24 sheet 3882:21 she's 3928:5 3935:20 shopping 3823:21 short 3746:11 3751:1 3801:22 3806:15 3853:15 3872:16 3881:11 3928:1 shots 3843:3 showed 3742:21 3785:4 showing 3778:3 3782:5,6 3882:11 shown 3732:6 3742:23 3755:21 3757:18 3762:14 shows 3734:13 3759:6 3877:2 3883:9 3932:8 3934:3 shrink 3928:20,25 shrinkage 3929:4 shuffled 3735:6 3743:21 3744:15	sic 3795:2 sides 3769:9 sideways 3946:5 sign 3884:7 signature 3678:11,12 3722:11 3754:16,21,22 3811:5 3875:18 3922:1,4 signed 3685:13 3902:22 significance 3775:13 3884:13 3899:19 significant 3791:18 3802:12 3885:13 3888:23 3899:17 significantly 3725:20 3877:22 similar 3721:3,12 3730:3 3732:1,15,16 3734:23 3736:15 3738:10 3740:25 3741:8,10 3743:21 3765:17 3766:11 3780:5 3781:9 3783:1 3794:12 3896:8 similarity 3887:23 Similarly 3937:7 simple 3821:4,9,17 3824:8 3828:10,13 3840:17 3856:13,16 3862:9 3869:18 3871:10 simpler 3867:3 simply 3724:14 3738:3 3782:5 3790:14 3792:16
servers 3683:14 serves 3889:21 service 3676:13,17 3728:18,21 3730:6 3731:1,21 3732:3 3733:23 3735:11 3736:15 3738:6,10 3739:22,24,25 3740:15 3741:5,18 3742:10 3757:12,14 3759:2,4,10,18,2 1 3760:10,21 3761:2,22 3762:24 3763:10,16,19 3764:10,24 3765:4 3766:4 3772:20 3785:6 3787:23 3788:24 3789:5,7,19,21,2 4 3794:19 3802:7 3804:9,13 3815:4 3818:2 3883:10,12,15,2 0,24,25 3884:2,5,8,12,22 ,23 3885:7,14 3886:7,9,16,18,2 1 3887:1,15 3900:5,8,11 3927:4,7 3963:7 services 3673:24 3676:18,25 3723:9,10,14 3728:13,15,19 3731:10 3732:3,8,20	SESAC 3874:18 session 3668:11 3673:2 3685:15,16 3708:1 3710:25 3711:1,2 3717:1,16,17,18 3902:24,25 3917:1 sets 3890:21 setting 3942:18 settlement		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 49

3819:10 3821:6 3824:23 3865:15 3867:6 3897:23 3899:9 simulcast 3682:9,10 3811:24 3812:3,20 3818:4 3819:9 3823:18,22 3826:7 3827:7,8 3833:12 3835:8 3836:2 3837:6 3896:5,7 3932:6 3961:2 simulcaster 3837:12 simulcasters 3894:24 3895:6 3952:10 3953:24 simultaneously 3930:11 sing 3933:10 singing 3933:14,19 single 3738:8 3861:7 3929:9 3930:10 3945:17 sir 3755:25 3766:19 3770:13 3773:14 3777:15 3790:23 3816:12 3924:14 3939:21 3940:13,19,21,2 5 3948:19 3953:9 3961:18 SiriusXM 3669:22 3670:19 3785:18,21 site 3736:5 sitting 3784:14 3867:5 3957:19 situation 3734:20 3794:12 situations 3840:5	six 3861:22 3862:14,18 3863:10 3864:10,16 3919:17 sizable 3775:24 3861:9 size 3721:7 3723:19 3732:13 3758:6 3803:3 3804:8 3832:17 3833:3,18 3954:11 skips 3763:20,23 slice 3740:16 slices 3747:15 slide 3728:6 3779:18 3780:6,7,8 3785:3 3790:6 3814:10 3831:2 3878:9 3882:24 slides 3717:21 3724:7 3754:15 3799:5 3831:1 3842:25 slight 3673:25 slightly 3679:21 3831:24 3842:23 3887:2 slot 3746:24 3747:1 small 3724:16 3729:23 3749:12 3753:1 3756:2 3770:22 3771:6 3773:1 3793:19 3803:6,21 3815:14 3851:1 3866:19 3921:2 smaller 3676:3 3682:19 3725:20 3737:3 3784:4 smart 3928:6 Smartphone	3740:7 smoke 3801:24 smoothly 3925:8 so-called 3830:7 social 3720:22 Society 3808:16 software 3748:18 3825:11,18,24 3850:17 sold 3677:3,4 soldier 3934:12 solely 3880:24 somebody 3745:4 3774:23 3800:23 3820:9 3825:9,19 3828:7 3830:19 3835:23 3841:13 3847:10,23 3852:20 3854:17 3959:25 somebody's 3933:18,23 3934:4 someone 3738:20 3739:19 3752:12 3771:3 3783:15,16 3802:2 3825:23 3856:21 3857:5 3886:15,19 3888:13 someone's 3803:2 Somerville 3718:22 sometime 3772:16 somewhat 3724:18 3727:7 3729:7,11 3733:3,7 3734:6 3757:13 3759:3,9 somewhere 3685:1 3758:2 3801:7	3834:17 3836:9 3922:17 son 3933:5 song 3683:16 3846:24 3848:14,17 3866:5 3933:17,19,22 songs 3676:24 3681:21,22 3727:10 3728:16 3760:4,12,16 3846:25 3847:12 3866:5 Songza 3900:5 Sony 3838:15 sorry 3718:10 3742:6 3743:1 3746:6,15 3760:15 3782:17 3786:10 3796:10 3802:3 3807:13 3815:16 3836:24 3839:19 3843:10 3849:8 3851:15 3861:20 3879:19 3889:11 3941:5,23 3945:24 3947:13 sort 3721:5 3725:13 3731:13 3732:4 3740:8 3793:9 3818:14 3834:8 3835:17 3839:8 3842:17 3846:13 3859:13,25 3869:22 3889:24 3922:1 sorts 3775:9 sought 3838:1 sound 3668:9 3764:2,6 3835:18 3836:7 3862:23 3863:7,19
---	--	--	--

3865:14 3877:6 3888:15,16,18 SoundExchange 3669:2 3670:16 3672:5,12 3675:10,11,14,1 7,25 3676:3,5 3679:12,18 3681:1,2 3682:16 3708:5,13,18 3747:7,12 3748:3,4 3751:7,8,15 3756:8 3767:9 3768:1,6 3771:8 3776:23 3777:1,22 3778:18,21,25 3836:20 3837:1 3878:15 3893:2 3922:21 3923:4,18 3927:23 3928:10 3933:21 3937:3 3939:8,13 3944:10 3950:24 3956:14 3960:1 SoundExchange's 3680:16 3767:4,10 3927:19 3945:21 3952:19 3953:23 3958:8 sounds 3758:13 3943:4,5 3962:1 soup 3677:17 source 3806:1 3827:25 3835:10,25 sources 3680:18 3739:16 3740:5 3743:14 3754:9 3824:6 3827:24 3838:13 South 3669:3 3720:6	Southern 3720:5 space 3761:10 speak 3684:23 3721:14 speaking 3678:5 3879:24 speaks 3794:25 specialization 3719:15 specialty 3871:3 specific 3679:19 3681:9 3719:15 3746:24 3764:20,24 3765:3,16 3766:3,5,6,8 3771:3 3773:6 3774:11 3805:6 3827:12 3854:16 3859:4 3927:5 3959:6 specifically 3676:2 3739:10,21 3742:19 3744:23 3761:24 3784:5 3826:6 3926:14 specified 3844:16 specify 3937:10 spell 3673:18 3718:10 3807:9 3873:2 3917:21 spelled 3718:12 3873:6 spelling 3807:5 spend 3739:10,11,12 3742:19 3803:8 3805:23 3936:20,21,22,2 4 spending 3727:3 3738:21 3803:15,23 3804:1	spent 3675:13 3721:13 3727:8,14,18 3739:2 3742:1,3 split 3774:24 3780:5 3781:20 3782:23 3783:17 3798:21 3929:24 3930:6,12 splits 3777:8 3779:19 3782:1 3783:9,21 spoken 3775:12 3863:8 sponsor 3814:17 sponsored 3929:16,18 Spooner 3790:19 sports 3845:20,21 3846:4,5,7 3854:20 3930:22 Spotify 3676:18 3720:10 3728:19,25 3729:4,18 3731:11 3732:10 3734:23 3735:11 3736:14 3738:6 3739:25 3740:15 3757:1,12,24 3758:14 3759:2,9 3762:10,11 spread 3871:19 3872:15 squarely 3781:11 squares 3859:13 squeal 3960:2 stable 3834:16 stage 3683:12,18 stand 3962:22 3963:23 standard 3827:25 3834:11 3844:23	3848:7 3884:5 3902:4,11 3920:10 3936:16 3937:4 standards 3720:18 3864:6 3920:7,11 3940:2,3 3942:19 stands 3937:19 Stanford 3918:23 start 3723:5 3803:15 3814:4 3815:19 3851:20 3880:3 3928:13 3939:17 3958:5 started 3723:21 3800:10,14 3801:2,4 3823:23 3900:9 starters 3818:1 starting 3675:12 3846:2 3896:5 3944:24 3962:20 starts 3678:22 3939:4 state 3683:24 3718:4 stated 3781:3 3785:3 3835:13 statement 3672:5 3708:6 3880:20,22 3939:23 3940:1,23 3941:17 statements 3674:14 3684:14 3940:4 3941:2 States 3668:2 3721:6 3758:16,21,23 3814:7 3815:13 stating 3807:5 station 3717:12
---	--	--	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 51

3736:5,12,14 3739:24 3770:23 3773:2 3826:6,14,21,23 3827:2,3,11 3828:11 3832:2 3838:25 3839:4,13,24 3840:18,20 3841:1,3,10,11,1 4 3842:22 3843:7,19 3845:15,18 3846:7,11 3847:19,20 3848:14,17 3849:14 3850:7,10 3852:15 3856:4,7 3857:1,3,8 3860:4,7,12 3865:12,18,20,2 1,24 3869:15 3870:4 3896:5 stations 3681:11,13,15,1 9 3682:10 3683:22 3734:24 3735:1 3739:14 3740:11 3787:4 3812:3 3826:17 3828:12 3837:7 3838:4 3839:16 3840:3,11 3841:20 3842:5,7 3846:10,20,22,2 5 3847:10 3848:4 3849:19 3853:12 3854:8,14 3855:1 3870:3,12 3932:2,18 station's 3842:21 3843:18 statistical 3833:1,19	3885:20 statistics 3724:1 statute 3931:11 statutes 3937:24 statutory 3674:10 3879:14 3880:6,11,13,14, 19 3881:13 3887:15 3893:6 3894:3,9,20 3895:12 3897:17 3899:24 3944:5 stay 3799:22 stayed 3878:16 step 3684:1,4 3828:25 3831:17 3925:2,10 3929:7,23 3930:3,4 3938:3,13 stepped 3731:13 steps 3928:20,24 Steven 3671:13 3872:11,19 3873:5 stick 3959:21 sticking 3945:3 stop 3729:15 3731:16 3788:6,7,9,13 3867:10 3888:22 3961:5 stopped 3860:4 3863:21 stops 3860:7 story 3791:7,18 straightforward 3724:11 3727:7 strange 3857:16 STRAUSS 3669:9 stream 3675:13 3728:15 3736:12,13	3739:23 3760:11 3933:4,21 streamed 3929:11,25 3930:6,7,10 streaming 3720:21 3734:25 3735:1 3761:10 3772:20 3775:3,18 3790:14 3791:16 3792:10 3879:8 3882:10 3883:12 3953:6 streams 3675:16 3677:15 3878:18 Street 3669:15,20,24 3670:5,8 Strickler 3668:22 3673:6 3710:23 3724:22,25 3725:24 3726:5,11,20,24 3727:2 3731:2,7,15,19,2 4 3735:22,25 3736:3,16,19,24 3737:5,10 3742:11,17,23 3743:3,7,17,23 3744:17,25 3745:3,14,22 3750:21 3752:9,23 3766:22,24 3767:6,13,16,19, 24 3768:3 3779:13 3781:24 3783:15 3784:1,8,12,16,2 2,25 3786:4,9,12 3792:7,18,22 3793:5 3794:1,6 3795:3 3797:14 3798:15 3799:8,15,21 3800:23 3801:3,12	3803:25 3805:10 3816:11,14 3817:14,18 3822:7 3823:8 3825:3,14,23 3826:3 3827:1 3828:24 3829:16 3830:4,13,24 3845:10 3846:17 3850:13 3851:6,22 3852:2,19 3858:9 3859:1,4,12,22 3867:14,19 3868:7,10,18,23 3875:4 3879:16,23 3880:8,17,23 3881:9,16 3883:1,6 3884:24 3889:11,14 3890:22 3891:4,18 3892:13 3894:18,23 3898:10,14 3899:4 3923:21 3924:15 3935:16 3939:4,6 3947:11 3948:12 3949:10 3955:9,14 3956:21,25 3957:9,18,22 3958:3,7,11 3960:10,18 3961:8,13,16 3962:19,23 3963:5,12,15,18 3964:4 strict 3811:25 strictly 3726:7 3809:2 strike 3790:4 3855:5,13 3901:25 3951:24
---	---	---	---

3952:6	3721:15	3891:14	summarize
strong 3822:18	3750:17,19	subsequent	3680:14 3878:22
stronger 3830:17	3899:9 3902:14	3810:2	3922:13 3934:16
structure 3744:8	subjects 3879:4	subsequently	summarized
3837:20 3922:23	3892:23	3831:24	3680:8 3854:6
3923:5	submit 3810:10	subset 3732:23	summary 3924:19
3949:18,19	3875:7 3921:19	substantially	summer 3933:3
3950:18 3951:8	submitted 3678:8	3679:23 3753:2	summing 3851:7
structured	3768:1 3896:18	3879:2 3884:4	supermarket
3743:20	3921:21 3947:1	substantive	3765:8,9
structuring	subpopulations	3785:16,22	supervised
3744:5	3726:13	3814:18	3809:16
struggled 3850:21	subsample	substitute 3723:10	supervision
STRUM 3669:14	3848:18	substitutes	3674:15
stuck 3960:2	subscribe 3728:25	3741:21	supplement
student 3918:13	3729:3 3732:21	substitution	3941:8,10,14
3931:20 3933:12	3733:18,23	3902:16	supplemental
3947:6	3734:3	subtract 3960:14	3963:12,13
students 3918:25	3757:1,12,24	subtractive	supply 3840:9
3931:23 3932:25	3759:2,8	3928:12	3841:7 3847:5
studied 3807:22	3788:22	succeeding	3848:5
3942:3,4	subscribed	3777:16,20	support 3816:22
studies 3772:17	3732:10	suddenly 3717:11	3817:3 3876:15
3777:20 3873:25	subscriber	3745:18	3887:7 3888:5
3901:2,6	3888:17	suggest 3749:25	3897:13 3900:23
studying 3805:2,3	subscribers	3750:12	supporting 3889:9
styles 3840:4	3719:21	3805:11,16	3899:11
subbullet 3680:12	3729:17,20	3889:24 3894:1	suppose 3730:6
subcategorize	3741:22	3945:23	3734:20 3953:5
3865:9	3758:15,20,22	suggested 3753:20	supposed 3733:20
subcategorizing	subscribing	3898:24 3924:4	3832:10
3864:6	3789:5,19,24	suggests 3755:15	sure 3673:19
subcomponents	subscription	3891:13 3946:17	3674:4
3835:17 3836:6	3733:12 3735:9	suitable 3926:12	3675:3,11
subgroup	3738:5 3761:16	Suite 3669:20	3676:15
3732:12,25	3762:1	3670:9	3680:5,16
3733:6,10	3763:2,13,15,22	suits 3874:4	3682:13
3784:2 3798:21	3764:5,14	sum 3736:10	3683:5,12,20
subgroups	3788:24	3821:1,2,19	3684:2,8,25
3737:3,14,16	3793:6,12,13	3822:6 3823:6	3709:9 3725:10
3799:4,6,16	3797:17 3804:9	3825:8,13	3736:8 3749:8
subject 3682:6	3883:22	3828:18 3833:1	3753:24 3771:25
	3884:5,7,12	3849:16 3850:3	3780:20 3784:15
	3886:6,16,18		3788:25 3791:4
	3887:13,14		
	3888:15 3889:19		

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 53

3793:17 3794:5	3765:2,12,16,21	3902:9 3943:18	tab 3678:6
3797:25	3766:1 3767:21	surveyed 3809:16	3679:5,15
3807:7,11	3769:20,21	3861:6,17	3680:3 3682:12
3817:2 3820:4	3771:2	surveys 3719:8	3683:4 3709:7
3821:16	3772:16,19,24	3724:12 3746:2	3748:25
3824:18,25	3773:6,9,11,15	3753:20 3755:15	3749:13,19
3825:6	3774:7,11,13	3766:10,17	3750:8 3754:3,6
3828:9,19,25	3776:19 3783:3	3770:4,5	3756:1,7
3832:22 3840:16	3784:10	3776:13 3781:21	3766:20 3768:5
3841:5	3785:12,17	3795:12,18	3771:8
3851:1,15	3786:7 3791:12	3798:10,12	3773:16,17
3859:23 3869:14	3793:15	3802:18	3776:18 3777:21
3871:24 3895:10	3795:10,17,21	3805:11,12	3778:24
3898:15	3798:6,7,16	3809:11,12,15,1	3780:4,7,10
3940:10,16	3800:5,8,9,10,11	7 3810:5	3786:7 3791:2,7
3945:7 3950:13	,12,20,21,24	3813:21 3818:10	3792:12 3793:1
3953:10	3801:18,19,21,2	3821:24 3822:19	3810:13 3843:11
Surer 3681:11	2 3802:15	3823:17,20	3873:8
surgeon	3805:21 3809:21	3827:21	3875:10,17
3935:22,24	3811:21	3870:20,22	3921:13,16
surgery 3935:23	3812:8,15,16	3871:1,2,10,23	table 3885:9
surrounded	3813:9,12,17,18	3872:1 3932:13	tabs 3747:19
3834:6	3814:2,14	survival 3876:7,21	tagged 3731:9
survey 3672:6,7,8	3815:2,17	3877:1,21	takeaway 3834:22
3719:5,17	3816:18,24	3895:22,25	takeaways
3720:17	3817:11	3896:1,22,23	3883:17 3884:1
3721:4,18	3818:9,21,24	3897:7,8,15	taking 3765:12
3722:24	3819:7	3898:7,11,12,15	3817:2 3848:18
3723:6,8,17,19,2	3820:2,8,19,22	survive 3877:4,22	3935:6 3963:23
0 3724:3	3821:19,20	sustained 3769:24	talk 3681:13
3726:13,18,21	3825:12,15,20	3772:1,12	3763:4 3813:8
3727:3,16	3827:13,17,22	3805:18 3806:9	3823:10 3836:2
3728:12 3731:2	3828:1,20	SUZANNE	3854:20
3733:17 3737:1	3830:14	3668:21	3857:3,12,13,15
3738:18,19,25	3831:4,9	switch 3742:9	3876:20 3899:19
3739:2 3740:17	3832:14,15,23	3785:6 3823:25	3928:8,24
3742:13,14,15,2	3833:8,24	3860:13 3879:4	3930:22
4 3743:25	3835:6 3837:5	switching	3931:1,2
3744:3,7,17	3838:1 3839:9	3822:14,15	3932:4,9
3745:6,9	3842:14	sworn 3673:9	3934:2,3 3952:4
3747:16 3748:2	3845:14,15,20	3717:3 3806:19	3953:12
3749:7,11,13	3850:15,23	3872:20 3917:7	talked 3676:4
3751:18,19,22	3853:17 3857:18	symbol 3678:23	3781:8 3828:16
3752:17,19,25	3865:15 3866:19	system 3848:4	3832:25 3837:25
3753:12	3867:11		3934:23 3963:15
3754:8,25	3870:21,24,25		talking 3683:6
3756:6 3759:16	3872:2		3708:11,15
3764:10,23,25	3876:12,13		
	3881:25		
	3886:1,3 3888:4		
		T	

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 54

3765:7 3792:25	3738:18 3744:7	3730:3,17	3896:16,18,22
3812:1 3813:5	3746:2 3753:20	3740:17 3797:6	3897:1,2
3814:24 3817:25	3755:15 3765:7	3831:9 3842:1	3898:20 3899:8
3818:12 3822:11	3801:19	3848:15 3851:11	3902:15,17
3828:16	3830:15,18,23	3855:6	3921:19,21,24
3840:6,9,12	3870:21 3871:8	3866:23,24	3944:23 3945:11
3841:5,6	television	3947:25 3948:1	3946:25
3849:21 3853:11	3719:11,19	tested 3845:3	3947:2,9,10,12,1
3854:5 3859:7	3721:11	3862:14 3863:25	6,17 3948:18
3898:11,15,17	ten 3680:21,22	testified 3673:10	3949:11,16
3926:22 3939:19	3846:25	3708:16,20,21	3950:1,3,9,20
3942:18	3847:12,14	3710:3,5 3717:4	3952:1,2,9,17
talks 3681:20	3848:14,17	3803:5 3806:20	3953:20 3962:25
3709:18 3828:11	3866:5 3871:16	3872:21 3874:16	3963:10,14
3890:10	3932:17	3884:10	testing 3837:11,17
target 3684:20	tend 3753:25	3897:1,6 3917:8	3866:19
3813:19 3816:16	3775:4 3885:17	3954:14	tests 3855:12
3817:22,24	3899:22	testify 3874:6	textbook 3919:3
3819:10 3833:11	tendency 3829:12	testimony	thank 3673:12,21
targeted 3891:15	3830:9	3672:3,11,15,16	3678:3 3683:1
task 3826:19,23	tenders 3810:3	3673:25	3710:22
3852:7 3925:5	term 3684:19	3675:23,25	3717:10,20,22
taxes 3928:15	3709:17	3676:2	3718:14 3726:24
teach 3932:25	3710:13,17	3677:21,23	3731:24 3745:22
teaching	3744:12 3746:19	3678:5,8,14,17,1	3746:14
3808:5,7,8	3812:19	8 3679:20	3747:3,6
3809:19 3926:10	3866:1,2	3680:9,14	3751:2,14
teachings 3933:3	3953:18 3957:23	3708:4,9	3752:23 3756:12
team 3674:6,12	terminated 3774:7	3717:19 3721:25	3762:21 3768:3
3684:6 3816:25	terms 3668:8	3722:8,10,15,25	3770:17 3773:18
teams 3674:13	3679:13,17	3725:1 3742:13	3780:25
Tech 3918:7	3723:16 3725:19	3748:19	3786:9,12
technical 3675:4	3744:5 3755:21	3754:10,13	3797:23 3806:12
3871:4,6 3927:3	3765:22,23	3756:19	3810:8 3816:10
3940:9 3953:18	3780:19 3782:13	3767:2,4,9,17,24	3817:18 3820:6
3954:7 3959:13	3789:19,23	3774:17,20	3823:8 3830:24
technically	3834:15 3859:5	3779:9	3836:11,13,16
3920:23	3865:13 3937:8	3781:5,12	3846:17 3855:2
technique 3956:16	3942:24,25	3783:20 3799:4	3868:23 3870:18
technological	3943:7	3809:24	3872:3,6,8
3683:13	3957:19,24	3810:2,11,21,24	3881:16 3883:6
technology 3740:7	terrestrial	3811:3 3816:15	3892:13 3893:1
3791:22	3790:15 3812:3	3837:5,10,19	3917:17,25
telephone 3723:19	3827:8 3836:1	3838:23	3921:18,22
	3854:25	3875:8,11,13	3924:16,18
	test 3723:8	3876:6,19	3927:11 3934:13
		3882:5	3938:15 3941:13
		3883:3,5,8	3949:9,23

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 55

3960:10 3961:18 3962:4,14,16 3964:2 that's 3674:14 3708:25 3746:10 3749:9,12,23 3752:21 3754:8 3755:8,17 3756:7 3758:4 3759:6 3760:2 3761:13 3762:17,20 3763:17 3764:14 3765:10 3768:5 3769:7,11,23 3770:8 3774:21 3775:8,20 3776:7 3781:3 3782:2 3786:18 3790:21 3794:13 3796:1 3799:8 3801:3,22 3806:7 3809:7 3810:14 3812:25 3817:4,16 3818:14 3819:11 3820:4,6,11 3823:5 3825:2 3826:2 3827:12 3828:13 3830:5 3831:15,16 3834:8 3835:10,13,22 3836:7 3837:12,17 3839:24 3840:14 3841:24 3844:13 3845:23 3854:11 3856:3 3866:7 3868:22 3880:2 3881:15 3895:17 3896:4 3899:12 3901:5,11,23 3902:3,10 3919:9 3924:19 3928:17 3930:3,7,8,10,17 ,21,23,25 3931:4,13,19	3932:2,4,9,24 3933:15,24 3935:9 3936:2,4 3944:12,19 3945:8,10 3946:22 3949:1 3950:23,25 3951:3 3952:11,14 3953:11,12 3954:6,11,21 3956:8,19 3957:12 3959:12,14,16 3962:4 3963:10,21,23 themselves 3960:3 themselves 3742:14 3827:18 3848:10 3862:13 Theoretically 3862:5 theorist 3926:10 theory 3848:8 3856:17,18 3878:23 3890:5 3946:12,14,17 3956:11 therefore 3813:2 3828:22 3835:14 3845:22 3852:17 3865:3 3868:14 3929:6 3953:15 there's 3675:24 3681:4 3724:15 3745:1 3753:23 3768:5 3788:9 3791:17 3792:13 3794:7 3795:21 3801:23 3803:1 3813:17 3814:11,20,22 3822:9 3829:18,22 3834:7 3841:19 3887:23 3889:4 3896:4	3924:3,11 3930:10 3933:17 3934:3 3936:5 3941:9 3953:6 3956:3,5,21 3957:2 they'd 3734:5 3932:17 they're 3745:6 3765:7 3766:2 3776:11,12 3819:10 3821:17 3822:3 3827:23 3832:22 3833:11 3842:4 3920:23,24 3921:3 3922:24 3927:1,16 3957:24 they've 3748:8 3776:5 3847:17 3900:1 Thicke 3852:20 thin 3722:2 third 3738:1 3794:17 3811:15 3858:13 3902:14 3929:4 3930:17 3958:25 3959:1,12 third-party 3959:9 Thomas 3718:6 THORNE 3669:18 3962:21 3963:1,7,13,17,2 0 thousand 3894:7,23 3895:18 3931:12 3942:19 3943:13,15,24 3956:16 three-hour 3933:17 three-quarters	3868:13 throughout 3717:18 3720:6 3808:3 3809:4,13 thumb 3727:22 thumbing 3964:4 Thursday 3668:15 thus 3721:21 ties 3856:11 tiny 3800:13 tired 3860:12 title 3918:18 3940:14 titles 3918:16 today 3776:10 3783:5 3798:25 3803:5 3876:18 3894:2,8,16 3895:19 3926:22 3932:6 3938:20 3942:2 3945:25 3946:2,3 3957:20 3964:3 Todd 3669:17 3670:21 token 3853:19 3854:20 TOLLES 3669:2 Toluna 3813:25 3814:5 3815:5 3816:1,3 3817:13 3832:21 tomorrow 3776:11 3938:19 3949:5,8 3962:19 3963:22,24 TOOF 3669:23 tools 3803:3 top 3678:16,22 3728:8 3755:13 3766:16 3770:21
--	--	---	--

3786:11 3787:1,3 3795:19 3798:20 3800:16 3830:8 3892:4 3928:13 topic 3934:9 3944:2 top-level 3923:12,13 3924:25 3925:1 Toronto 3933:7 total 3732:13,14,17 3733:2 3783:20 3800:19 3812:22 3834:25 3849:13,14 3868:20 totality 3728:10 totally 3817:17 3846:6 touch 3746:18,21,23 3925:24 towards 3682:2 3721:13 3725:12 3815:3 Tower 3669:10 track 3927:2 tracked 3775:9 tracking 3720:19 tradeoff 3822:18 3823:6 tradeoffs 3822:12 traditional 3735:12 3737:22 3739:13 3740:11 3786:19,23 3787:4 3837:13 traffic 3813:6 3824:11 training 3935:5 3936:5	transaction 3955:20 3958:19 transactions 3926:8,9 transcript 3965:4 treat 3957:6 3958:25 tree 3717:13 TRES 3669:19 TRG 3813:18 3817:5,12 3831:10 tried 3710:7 3725:11,16,20,2 1,22 3736:5 3842:8 3863:2,3,4,10 3865:14 tries 3751:23 trips 3675:14 trivial 3935:9 true 3810:24 3836:8 3858:7 3873:13 3875:14 3885:17 3898:18,19 3965:4 truly 3925:2 truth 3673:9,10 3717:3,4 3769:15 3806:19,20 3872:20,21 3917:7,8 3948:10 try 3680:22 3681:23 3682:4 3683:15,19 3684:1,3 3723:6 3738:23 3747:1 3757:5 3761:15 3781:16 3848:11 3863:24 3891:6 3938:11	trying 3675:15,17,20 3681:5 3710:18 3721:5 3751:21 3788:23 3789:6 3801:13 3822:4 3841:19 3935:1,2 tune 3933:15 TuneIn 3720:11 turn 3678:6,10 3679:15 3680:3 3682:12 3683:3 3709:7,13 3722:2,9 3723:2 3724:6 3727:1 3748:24 3754:3 3755:11 3756:15 3759:13,15 3766:20 3770:13 3773:14 3777:21 3785:2 3793:1 3796:11 3810:13 3811:2,15 3812:12 3820:13 3827:15 3873:7 3878:8 3881:18 3902:14 3944:22 3960:12 turned 3784:20,23 Turning 3728:5 turnover 3677:6 turns 3819:5 3888:6 twice 3863:11 type 3794:12,13 3817:11 3820:22 3826:14 3833:8 3845:18 3849:12 3865:9 3870:4 types 3723:14 3781:9 3846:9 3853:21 3854:9 3879:1 3890:7 typical 3818:15 3854:2 3855:21	3886:6 typically 3766:9 3795:15 3884:2 typos 3810:25 <hr/> U <hr/> U.K 3720:3 U.S 3719:11,19 3723:25 3817:25 3838:11 3846:3,22 3853:11 3854:7 3871:19 3920:10 3923:20 3924:22 3933:9 3958:21,22,23 3959:2 U.S.A 3719:25 U.S.-based 3812:2 3827:9 3838:3 UCLA 3807:15 3808:2,9 Uh-huh 3796:8 ultimate 3814:16 3833:18 ultimately 3685:6 3768:17 3814:24 3892:9 unbundling 3929:25 3953:4 unclear 3866:11,25 undergraduate 3718:8,17,18 3807:21 underlying 3774:10 3784:10,11 underreporting 3935:2 understand 3675:15 3684:10 3725:2,14 3743:2 3758:14
---	--	---	---

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 57

3784:13 3786:1 3788:25 3818:11 3821:9 3823:17 3837:10 3839:10,20 3841:6 3842:9 3845:5 3850:4 3852:9 3858:10 3867:25 3881:25 3884:10 3886:2 3892:16 3893:6,12,15 3894:18 3925:18 3927:22 3941:23 3942:23 understandable 3681:6 understanding 3678:19 3679:22 3752:19 3755:20 3758:1,6 3775:20 3805:7 3865:24 3927:19 3943:4 understands 3844:24,25 3866:1 understood 3725:4 3821:17 3824:11 3828:21 3831:7 3839:9 3851:24 3865:6 3866:20 3895:2 3926:9 3944:11 undoubtedly 3816:5 unexceptional 3928:18 unfortunately 3710:24 uninformative 3898:3,21 union 3878:25 unique 3930:15 3931:10 3954:25 uniquely	3923:17,23,24 3924:20 3928:1 3929:2 3930:16 3937:16 3945:5,9 3954:15,18 3956:22 3957:2 3958:12 United 3668:2 3721:6 3758:16,21,23 3814:7 3815:13 universities 3918:22 University 3718:20 3807:23 3873:18,19 3918:8,11,14 3919:1 unless 3825:12 3890:13 3938:7,8 unlike 3727:24 3941:1,16 unlimited 3763:20,23 unusual 3892:7 unusually 3718:12 unworkable 3960:4 upgrade 3888:13 upon 3726:14,18 3820:8 3832:12 3889:21 3936:12 3937:6,11 3955:3,7,19 upper 3792:12 3836:8 urban 3870:10 urging 3746:7 usable 3931:11 usage 3721:7 3775:3,5 3776:14	3777:12,17 3782:24 3785:18 3940:24 useful 3748:17 3935:5 3938:4 user 3758:6,9,11 3847:5 3860:2 3865:10 3883:12,21 users 3728:1 3758:3 3759:7 3777:8 3779:23 3790:23 3791:21 3814:25 user's 3847:4 usual 3833:13 usually 3802:2 3874:1 utility 3848:9 3852:25 3856:19 3858:12 3859:14 <hr/> <p style="text-align: center;">V</p> <hr/> valid 3726:22 validation 3832:20 valuable 3861:16 valuation 3848:1,6 3857:5 3858:4 valuations 3848:19 value 3811:23 3812:17,22 3818:12 3821:6,8,15 3823:4,19 3825:4,15 3826:14 3834:12,25 3835:10,12,21,2 5 3841:16 3842:20 3843:17 3844:9,10,14,16, 17,20,22,25 3845:1,6,23	3848:13,22,25 3849:4,9,12,14,2 1,24,25 3850:5,9 3851:25 3852:10,14,17 3853:2,4,5,6 3855:7,15,20 3856:5,7,10,11,2 1 3857:13,19 3858:3,6,12,25 3860:2,19,21,22 3861:8,19 3862:3 3863:15,17 3864:13 3868:13 3869:17,19,23 3889:1 values 3825:24 3858:22 3859:18 3890:21 variables 3819:13 variety 3809:4 various 3684:16 3720:20 3779:20 3808:24 3809:3 3814:3,22 3819:20 3870:16 3919:6 3920:8,14 vary 3834:12 3849:19 varying 3733:3,7 vendor 3959:6 verification 3814:23 verify 3750:17 version 3678:25 3679:1,22 3733:13,20 3734:2,4,6,10,22 3772:15 3788:23 3789:6 3889:21 versions 3766:14 versus 3677:14 3682:1,17,18 3684:9 3721:9
--	--	--	--

3822:16 3826:15 3830:15 3845:6 3847:14 3848:17 3865:13 3871:25 3880:1 3930:7 3931:17,19 3932:10 3953:5,12 Vevo 3735:14 3738:2 3740:1 VI 3963:11 via 3734:25 3735:1 3837:13,14 vice 3873:20 video 3879:18 videos 3735:13 3738:2 view 3729:25 3812:9 3844:14 3862:7 3899:10 views 3896:21 virtually 3676:17 3729:1 3871:14 visit 3675:14 visiting 3790:19 3918:22 Volume 3668:8 voluntary 3815:19 volunteer 3735:17 3739:18 VSOP 3959:6 <hr/> <p style="text-align: center;">W</p> <hr/> wait 3685:14 3902:23 3938:19 walk 3832:13 3882:23 3931:17 wards 3808:14 Warner 3674:20,22,23 3675:16 3676:20 3677:1,9,23	3682:17 3684:21 3709:11,21 3710:13,17 Warner's 3676:13 Washington 3668:4,14 3669:15,21,24 3670:5,9 3920:13 wasn't 3710:6 3743:17 3786:2 3859:17 watch 3738:1 watching 3735:13 Wawa 3676:18 ways 3721:3 3735:2 3737:14 3738:20 3886:15 3888:11 3924:1,3 3930:12 3958:14 3959:4 weather 3813:5 3824:12 Web 3668:9 Webcast 3768:12 3880:5 Webcaster 3876:21 3878:3 3895:25 webcasters 3876:7 3877:3,6,10,15,1 7,18,21 3878:6 3879:1,3 3880:6 3881:5 3893:7,24 3894:2,8,12,23 3895:5,22 3896:23 3897:8,16 3898:23 3942:1 3945:18 Webcasting 3878:4 3879:5,8,15,19	website 3762:10 3929:12 we'd 3778:17 3779:5 3780:15 3932:7 week 3678:19 3681:12 3732:8 3741:6 3746:17 3757:22 3780:6 3818:5 3823:1 3832:2,17 3854:2 3855:24 3919:1 3929:16 weekly 3777:8,12 3778:9 3780:6 3791:16,20 3792:10,13,17,2 1 weight 3855:19 3864:15 3868:3 3869:22 weighted 3723:25 3756:21 weights 3824:23 3825:13 3826:13 3834:19 3839:23 3840:23 3858:14 Weil 3669:6 3671:16 3917:6,23 3921:6,9 3939:10,17 3940:11 3941:5,25 3944:3 3948:4,16,22 3949:15,25 3952:8 3953:8 3954:14 3960:12,23 3961:6,21 3962:15 W-E-I-L 3917:23 Weil's 3952:1 welcome 3836:18 we'll 3717:7	3802:1 3924:16 3934:12 3935:14 3936:17 3949:5,7 3956:6,7 3957:3,5 we're 3684:20 3753:11 3758:10 3812:1 3813:5 3814:24 3817:25 3818:12 3819:23 3822:4,11,22 3823:2,3 3824:24 3826:22 3828:15 3831:2 3859:6 3898:16 3924:7 3938:6,8 3939:19 3942:18 3946:3 3963:19 west 3918:23 western 3933:14 we've 3679:25 3744:11 3750:14 3777:18,19 3795:11 3882:21 3942:16 WFAN 3845:21 Wharton 3718:19 whatever 3746:18 3751:12 3801:8 3829:6 3851:16 3852:15 3895:11 3942:17 whatsoever 3726:3 whereas 3830:20 Whereupon 3964:6 whether 3708:20 3723:8 3725:3,6 3730:1 3731:20 3736:19 3740:18 3758:19 3762:23 3763:10 3787:18,22,23 3797:11,15,18
---	--	---	--

Capital Reporting Company
Day 14 In Re: Determination of Royalty Rates (Public) 05-14-2015
Page 59

3802:20	WILLIAMS	3731:5,9,18,23	3939:3,5
3803:14,19	3669:19	3735:24	3948:5,7
3804:18 3818:20	willing 3770:22	3736:2,8,18,22	3955:13 3956:23
3837:13 3838:17	3771:3,6 3773:1	3737:2,8,12	3957:8,11,21
3839:8,17,24	3815:15	3742:16,22	3958:1,4,10,20
3840:7,10	3886:4,8	3743:1,6,16,19	3960:14,20
3841:19 3844:19	3942:16	3744:4,24	3961:10,15,18
3850:14 3851:24	3943:1,2,6,7,10,	3745:2,11,20	3962:16
3855:6,12	12,16,21 3956:2	3746:20	3963:22,23
3856:21 3857:6	willingness	3767:5,12,15,18,	3964:2
3860:3	3723:13 3725:5	22 3768:2	witnesses 3746:25
3865:10,17	3732:2 3733:11	3769:13 3770:18	3767:4,9,14
3866:10,19	3756:16	3777:24 3783:25	3931:3
3871:24	3764:19,23	3784:3,11,15,19,	won 3808:12
3874:18,21	3765:3 3766:3,7	24 3792:16,20	wonderful
3876:14	3770:3,7	3793:4,17	3871:22
3877:5,16	3772:19	3794:5,15	worded 3754:2
3881:12 3893:20	3788:21,22	3795:4,22	wording 3725:17
3897:19	3802:6,11	3799:14,18,24	3753:1 3785:24
3898:4,7	3822:13 3859:20	3801:1,6,15	3793:12,19
3900:23 3941:21	3876:13	3804:3 3806:17	3797:13 3842:23
3942:6 3943:15	3882:9,12,14	3815:7,10,25	3853:22 3865:19
3945:9,16,20	3883:9,22,24	3816:13,21	
3946:7 3947:18	3884:3,4,6,14,18	3817:16 3820:3	
3950:4,5	,20	3822:9	work 3673:21
3952:18	3885:7,11,14,19,	3825:6,17	3674:18 3677:22
whichever 3723:4	24 3886:21	3826:2 3827:5	3718:21,22
3850:10	3887:16,20	3829:3,21	3719:7,17,22
Whittle 3934:11	3888:3,10,20,25	3830:6,16	3720:9,11
whoever 3835:21	3889:3	3836:13 3846:1	3725:15 3741:13
whole 3673:9	3890:7,15,18,24	3850:19 3851:12	3742:15 3744:17
3717:3 3806:19	3891:7,16	3852:1,4,24	3745:6,25
3834:22 3872:20	3892:5,7	3853:13,18	3761:14 3764:25
3917:7 3935:13	3900:17	3854:23 3858:16	3769:20 3795:20
3951:16	3901:3,21	3859:3,6,19	3809:1,3,13
whom 3719:16	3902:1,7	3867:18,23	3817:4 3832:15
3813:15 3926:4	wills 3935:12	3868:9,11,22	3853:3 3874:2,5
who's 3933:11	Winding 3853:9	3870:23	3882:3,4
3936:3	window 3708:23	3872:8,18	3901:2,3,13
wide 3680:17	wish 3834:8	3873:4 3879:17	3923:16 3924:23
widely 3720:23	3852:14	3880:2,16,21	3925:7 3926:9
wild 3762:15	withdraw 3897:3	3881:3,15	3931:15 3956:20
WILEY 3669:13	3949:22	3883:4,7 3885:1	workable 3958:6
3670:3	witness 3709:24	3888:24 3889:13	worked 3719:1
WILKINSON	3710:24 3718:12	3890:2	3720:10 3736:4
3670:8	3724:24 3725:10	3891:3,12,24	3813:16 3816:16
	3726:4,9,16,23	3897:1 3898:18	working 3719:24
		3917:3 3922:22	3746:25 3805:1
		3924:2,19	3808:23 3884:11
		3935:17 3938:22	

3932:6 3935:21 works 3845:23 3871:13 3874:20 3945:18 world 3719:22 3720:1,7,12 3721:6,14 3755:8 3765:6,11,13,15, 19 3775:19 3787:23 3788:2,8,12 3790:12 3857:17 3860:8,10 3919:10 3940:10 worry 3830:11 worse 3685:6 3830:22 write 3829:6 3926:18 3931:10 writing 3954:12 written 3672:16 3721:24 3722:8,14 3754:12 3767:1 3808:21 3810:10 3825:11 3875:7 3876:19 3883:3 3899:8 3902:17 3919:3 3921:19,24 3933:16 3947:1,10,15,16 3948:17 3950:1 3952:1,2,9 3963:10 wrong 3725:8 3743:25 3856:3 3951:1,3 wrote 3791:7,11,15,17 3792:9 3824:3 3919:17 3921:21 3952:24 <hr/> Y	Yahoo 3720:13 Yale 3918:4 yet 3725:20 3891:8 3921:4 3923:11 3955:3 York 3669:7,11 3920:18 you'll 3796:11 younger 3776:3 yourself 3873:2 3917:21 3925:14 3959:15 3960:6 YouTube 3735:14 3738:2 3739:25 you've 3679:12 3754:21 3766:13 3775:9 3776:14 3777:16 3778:1 3801:24 3812:14 3921:12 3937:17,23 3939:1 3957:1,9,23 <hr/> Z <hr/> zero 3825:7,8,10 3845:1 3850:2 3852:10 3859:1,8 3868:17 3869:23 3883:22,23 3884:14 3885:8 zeros 3893:13		
---	--	--	--